

Concept Paper 3: Available Mechanisms and Pathways for Alternative Ratemaking in Nevada

**Nevada Alternative Ratemaking Proceeding
Docket No. 19-06008**

Prepared by:

**Dan Cross-Call, Cory Felder, and
Katerina Stephan, Rocky Mountain
Institute**



**Carl Linvill, Megan O'Reilly, Jessica
Shiple, and Donna Brutkoski,
Regulatory Assistance Project**



**In consultation with
The Public Utilities Commission of Nevada**

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SECTION I: INTRODUCTION AND OVERVIEW

Senate Bill (SB) 300 requires the Public Utilities Commission of Nevada (PUCN) to adopt regulations governing electric utility applications for approval of an alternative ratemaking plan. In response to SB 300, the PUCN opened Docket No. 19-06008 on June 6, 2019, and began a facilitated stakeholder process in April 2020 with the release of Concept Paper 1. The stakeholder process, which is guided by Rocky Mountain Institute (RMI) and the Regulatory Assistance Project (RAP) and overseen by the PUCN, includes facilitated workshops and a series of concept papers to inform development of regulations. This Concept Paper 3 outlines possible regulatory refinements and alternative ratemaking mechanisms that may advance goals and outcomes aligned with Nevada energy policy and utility regulatory objectives.

The purpose of this process is to solicit input from stakeholders to inform the PUCN's forthcoming regulations on alternative ratemaking. The PUCN will take the information gathered from this process and use it to build a set of regulations that will serve Nevada for purposes of alternative ratemaking. Specifically, Section 16 of SB 300, codified as Nevada Revised Statutes (NRS) 704.762, describes the items that must be addressed in adopted regulations:¹

- Establish the alternative ratemaking mechanisms that may be included in utility plans
- Set any limitations on alternative ratemaking mechanisms that can be proposed
- Provide the information that must be included in an alternative ratemaking plan
- Detail the circumstances under which an electric utility with an approved alternative ratemaking plan is required to file a general rate application pursuant to NRS 704.110
- Provide a process to educate electric utility customers on available alternative ratemaking mechanisms that may be included in an alternative ratemaking plan
- Establish requirements for recordkeeping and submittal for an electric utility with an alternative ratemaking plan
- Establish criteria for the evaluation of an alternative ratemaking plan

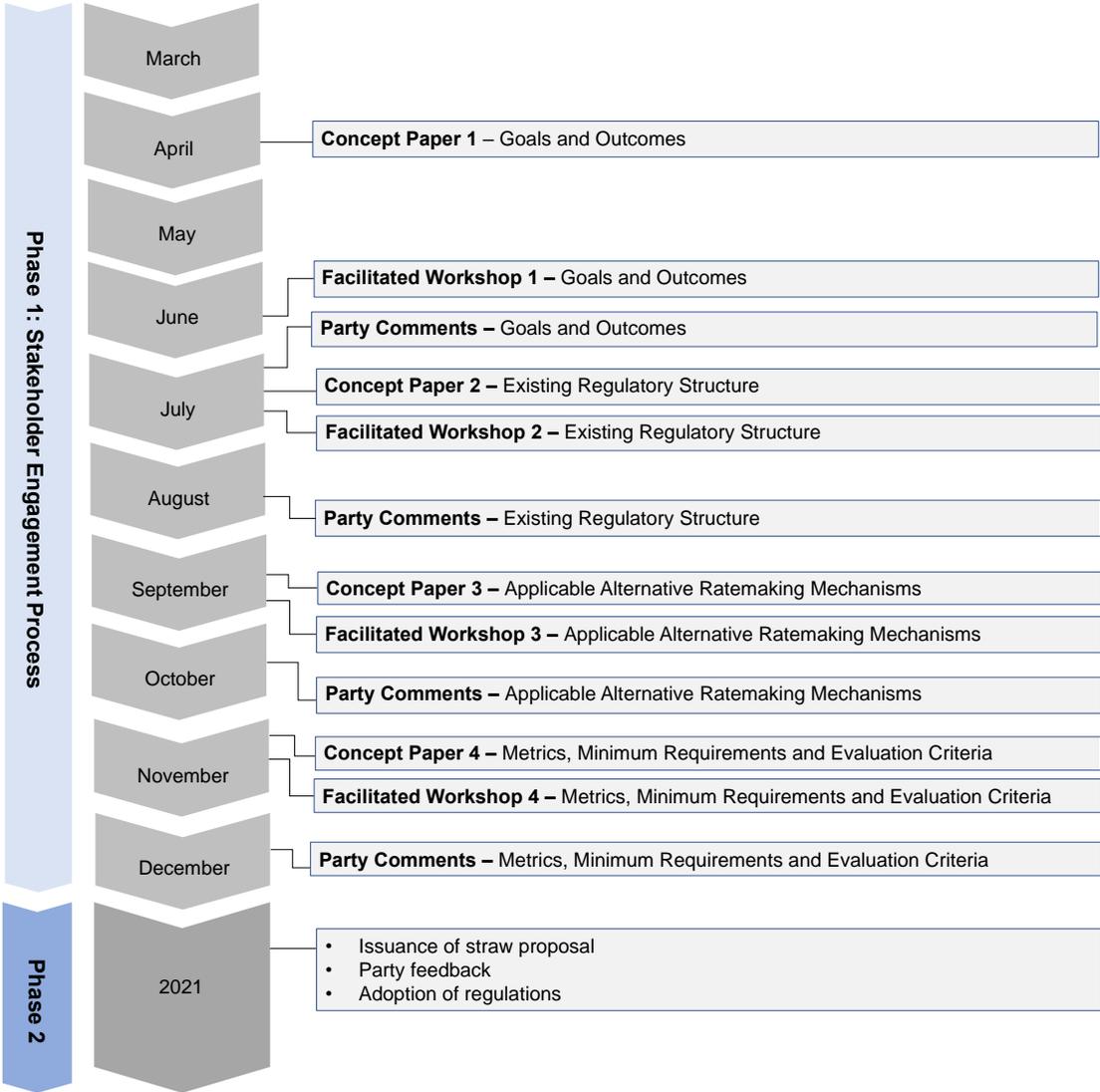
To advance the dialogue underway and prepare stakeholders for providing input on these items, this paper:

- a) Provides a synthesis of stakeholders' regulatory assessments filed in comments after Concept Paper 2 and previous workshops;
- b) Describes a non-exhaustive set of available alternative ratemaking mechanisms and pathways for alternative ratemaking in Nevada;
- c) Begins to connect the discussion of alternative ratemaking mechanisms with the topics that will be discussed further in Concept Paper 4, including metrics, minimum requirements, and evaluation criteria; and
- d) Adopts a working set of goals and outcomes to help focus the remainder of this stakeholder process based on input received from participants.

¹ For brevity, we have lightly paraphrased these items. For the original language, see NRS 704.762.

RMI and RAP understand that the PUCN considers the establishment of performance metrics to be an important next step for alternative ratemaking. These performance metrics – which may be established in a separate PUCN proceeding – will track utility performance against priority outcomes and provide a baseline to inform PUCN decisions regarding electric utility alternative ratemaking proposals. They will also provide a foundation for the PUCN to evaluate existing regulatory mechanisms and practices. Performance metrics are lightly addressed in Section II and Appendix A of this paper, and will be taken up more directly in Concept Paper 4 and the attendant workshop.

Figure 1: Updated Stakeholder Process Timeline and Activities



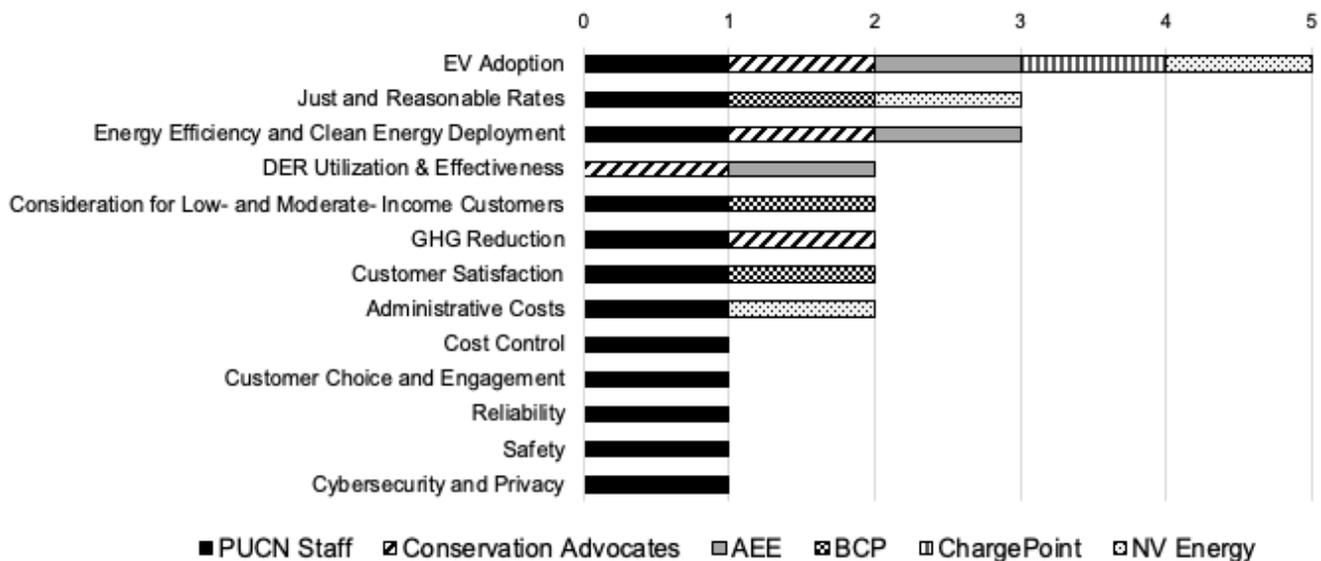
SECTION II: SUMMARY OF STAKEHOLDERS’ REGULATORY ASSESSMENTS

Overview

Six stakeholders submitted outcome-specific regulatory assessments that address 13 of the 14 working outcomes listed in Procedural Order No. 8, Attachment 1. Three other stakeholders provided general comments but did not conduct structured regulatory assessments. As Figure 1 illustrates, stakeholders assessed all outcomes except “Resiliency.” To reflect stakeholders’ expressed interests, the discussion in this section is ordered from the outcomes receiving the most to those receiving the least number of comments. For each outcome reviewed in this Section, we summarize the commenters’ main positions and synthesize key themes, identified alternative ratemaking mechanisms, and potential metrics in blue call-out boxes.

Attachment 1 provides individual stakeholder summaries for the outcomes below.²

Figure 1: Working Outcomes Assessed by Stakeholder Group



Electric Vehicle (EV) Adoption

Five stakeholders (Staff, NV Energy, Advanced Energy Economy [AEE], ChargePoint and Conservation Advocates³) evaluated EV adoption. These stakeholders generally agreed that the existing regulatory framework is, at best, neutral toward the adoption of EVs, though several highlighted key pilot programs underway.

Staff asserted that, overall, the existing regulatory framework may or may not encourage EV adoption. It suggested that, in order to support this outcome, the utility would need to give rebates to buy down the cost of an EV. Staff argued, however, that rebates for EV costs are not

² The stakeholder responses to the regulatory assessments summarized below represent the opinions of each individual stakeholder and do not represent the views of the RMI, RAP, or the PUCN.

³ The Conservation Advocates include: Western Resource Advocates, the Southwest Energy Efficiency Project, the Sierra Club, the Nevada Conservation League, the Nevada Chapter of the American Institute of Architects, and Defend our Desert.

a recommended use of ratepayer funds. Additionally, Staff highlighted a need for several enhancements to existing regulatory mechanisms in Nevada, including: additional research on charging station locations in the Distribution Resources Plan (DRP), a pilot program, and improved time-of-use (TOU) analysis on EV charging rate efficacy from the utilities.

NV Energy argued that overall, the existing regulatory framework does encourage EV adoption, but noted that as the State addresses carbon reduction in the transportation sector, the larger role of the utility in transportation electrification will need to be addressed. It identified four existing regulatory mechanisms that specifically support EV adoption: Electric Vehicle Infrastructure Demonstration (EVID) programs, TOU rates, the Electric Vehicle Commercial Charging Rider, and Electric School Bus incentives. While TOU rates currently encourage charging during low off-peak rates, NV Energy indicated that other tariffs or control mechanisms will be needed to encourage charging during the afternoons when there is excess solar generation. It also suggested that the PUCN and stakeholders will need to evaluate long-term solutions, including different rate options, for fast charging technology.

AEE commented that, overall, the existing regulatory framework does not sufficiently incent EV adoption and infrastructure deployment. It contended that because the cost-of-service (COS) model authorizes the utility to benefit from increased electricity sales, the utility may already be predisposed toward pursuing EV programs that result in increased electricity usage. However, AEE suggested that new regulatory mechanisms – in particular performance incentives – may be needed to ensure that any adopted programs maximize the benefits of EV adoption. AEE asserts that any adopted performance incentives should focus on outcomes that the utility can directly influence (e.g., charging infrastructure deployment, EV charger usage, and equitable access to charging services).

ChargePoint did not provide an overall assessment of the existing system in relation to EV adoption. Rather, it expressed support for two existing mechanisms: TOU rates and the EVID programs. In addition, ChargePoint offered guidance for ensuring that these mechanisms maximize customer and grid benefits. For example, ChargePoint highlighted that utility rate design – including TOU rates – can be an effective tool for incentivizing off-peak EV charging, which can in turn reduce the need for additional investment in generation capacity. ChargePoint also emphasized that TOU rates do not shift costs to other ratepayers. Additionally, ChargePoint noted that continued, enhanced marketing and outreach efforts on the EVID program and other EV-focused programs is needed. It recommended that customer input be solicited to ensure program goals meet community needs and that program details are provided to all customers.

Conservation Advocates asserted that there are no substantial barriers to achieving EV adoption within the existing Nevada regulatory framework. That said, it highlighted several existing mechanisms that could be optimized to better support this outcome. For example, Conservation Advocates contends that further discussion of the role of the utility in providing charging infrastructure to customers is warranted. Additionally, Conservation Advocates indicated that while the Clean Energy Incentive Programs⁴ support EV adoption, further discussion is needed on what will replace these programs as the EV market matures (along with a method of determining when the market is mature). Finally, Conservation Advocates suggested that further

⁴ Appendix B of Concept Paper 2, which was the Regulatory Assessment Template, listed a series of “Existing Regulatory Mechanisms” to be evaluated as having an effect on specified outcomes. Throughout this Concept Paper 3, these “Existing Regulatory Mechanisms” will be capitalized in order to specifically identify the mechanisms listed in the Regulatory Assessment Template. Clean Energy Incentive Programs were among the “Existing Regulatory Mechanisms” listed in Concept Paper 2.

consideration is warranted for how dynamic rates can encourage EV contributions to grid services.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 1a-e.

Observations and Areas for Further Attention

- Stakeholder comments suggest that EV adoption may be ripe for alternative ratemaking consideration. Alternative mechanisms that better encourage the utility to maximize benefits from EVs and EV charging infrastructure (including contributions to grid services) may be particularly applicable.
- Specific mechanisms identified for consideration include performance incentive mechanisms (PIMs) and increased adoption of enhanced TOU rates to encourage off-peak EV charging. Stakeholders may also wish to consider whether a regulatory sandbox approach could help accelerate the deployment of scalable pilot programs (see Section III for more detail). Consideration of new mechanisms could be complemented by additional analysis of TOU rate effectiveness, charging station locations, and EV charging rate efficacy. The PUCN has asked for analysis related to charging station location and usage in Docket Nos. 19-02001 and 20-01040.
- Metrics tracking EV adoption, EV charger deployment, EV charger usage, access to charging services, or the effectiveness of existing EV programs can help inform future alternative ratemaking proposals. These or similar metrics may also be helpful for informing PUCN decisions about which mechanisms may be considered for replacement of existing EVID programs if the market matures.

Just and Reasonable Rates

Three stakeholders (Staff, NV Energy, and the Bureau of Consumer Protection [BCP]) evaluated just and reasonable rates. Generally speaking, these stakeholders found that the existing regulatory system supports achievement of this outcome. However, perspectives differed on the degree to which individual existing mechanisms do so. For example, Staff and NVE both agreed that the General Rate Case (GRC) promotes rate stability and affordability. However, NV Energy argued that extending the time between rate cases would better promote rate stability and incentivize efficient utility operations. Staff and the BCP, by contrast, supported the existing three-year cycle and opposed extending it, on the basis that incremental rate adjustments on this three-year cycle better promote affordability and rate stability. Specifically, Staff noted that extending the rate case cycle to four or five years may make rate changes more severe, even if less frequent.

Similarly, stakeholders offered divergent views on the role of the lost revenue adjustment mechanism (LRAM) in supporting just and reasonable rates. Staff asserted that the LRAM creates negative customer perceptions, because when customers conserve, they subsequently face new rates to make up for the conservation ("The more I save, the more you charge me"). Further, Staff noted that when the utility exceeds its authorized rate of return, this suggests it did not need an incentive to offer demand-side management (DSM) programs.⁵ By contrast, NV Energy contended that the LRAM structure – in particular the Energy Efficiency Implementation

⁵ The authors of this paper have represented Staff's arguments here as expressed in its comments. However, other stakeholders have noted that the LRAM does not provide an "incentive," but mitigates a disincentive for DSM programs.

Rate, which allows any overearnings from the relevant program year to be returned to customers – supports affordability.

Stakeholders also raised criticisms of Special Tariff/Energy Supply Agreements, Clean Energy Incentive Programs, and the Earnings Sharing Mechanism in terms of just and reasonable rates. With respect to the Special Tariff/Energy Supply Agreements, multiple commenters acknowledged that such agreements may support rate stability for – or respond to the needs of – certain customers or customer classes. However, Staff and BCP noted that these benefits tend to be narrowly focused, and may come at the expense of other customers or customer classes that are burdened with additional costs as a result.⁶ In a similar vein, while all stakeholders agreed that the earnings sharing mechanism (ESM) incentivizes just and reasonable rates, Staff and NV Energy acknowledged that the mechanism’s asymmetrical design may be unfair to the utility under certain conditions.

Additionally, Staff noted that it must continue to monitor investments in transmission and distribution infrastructure during the Integrated Resource Plan (IRP) proceeding to ensure that the utility is not overbuilding too quickly. It also noted that as renewables continue to become cheaper, the renewable portfolio standard (RPS) contributes to affordability.

AARP did not evaluate just and reasonable rates, but suggested additions and changes to certain metrics for this outcome, which are reflected in Appendix A.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 2a-c.

Observations and Areas for Further Attention

- While stakeholders appear to agree that the existing system supports just and reasonable rates, concerns exist for some stakeholders around the fairness of certain existing mechanisms to participating customers and the utility.
- The length of the rate case cycle has been a frequent issue raised in this process. Multi-year rate plans (MYRPs) are one approach by which the rate case cycle can be changed if an electric utility files an alternative ratemaking plan, and the PUCN approves the plan for a rate case cycle other than three years. Stakeholders may wish to consider the conditions under which a MYRP would be desirable for Nevada.
- Multiple design options and practices exist for MYRPs that go beyond simply extending the time between rate cases. MYRPs can also be used in conjunction with other alternative ratemaking mechanisms (e.g., performance metrics or efficiency carry-over mechanisms) to help ensure that the plan is optimized for cost control and other priority outcomes. See Section III for additional detail on MYRPs.

Energy Efficiency and Clean Energy Deployment

Three stakeholders (Staff, AEE and Conservation Advocates) evaluated the energy efficiency and clean energy deployment outcome. These commenters reached slightly different conclusions regarding the extent to which the existing regulatory framework incentivizes, disincentivizes or has no impact on this outcome. On one end of the spectrum, Staff’s comments suggest that it views multiple existing mechanisms in the current framework as supporting

⁶ Staff made a similar point about Clean Energy Incentive Programs in its assessment.

energy efficiency and clean energy deployment, and that it does not see glaring deficiencies (even if it does see room for improvement). On the other end of the spectrum, Conservation Advocates argued that the COS model underpinning the existing Nevada regulatory framework – in which the utility earnings rely primarily on rate base – discourages the utility from investing in non-utility resources (capital bias), retiring existing non-fully depreciated assets in favor of lower emitting options, and/or valuing renewables for their lack of fuel cost. For its part, AEE argued that the existing regulatory framework does not sufficiently encourage investment of energy efficiency at the magnitude needed to meet state policy ambitions and electrify the transportation and buildings sectors, and supports making the enhancement of energy efficiency a priority target of any alternative ratemaking framework.

With respect to energy efficiency, Staff stated in its assessment that there may be room for expanding upon the LRAM. It highlighted that while the LRAM removes a financial disincentive to the utility from having energy efficiency programs, it does not provide additional incentives to have more energy efficiency programs targeting a particular level of savings. Similarly, AEE contended that the LRAM was not designed to motivate cost-effective energy efficiency; but was instead intended to make utility revenues more predictable and remove the disincentive for energy efficiency inherent to the existing regulatory model. It suggested that revenue decoupling, while potentially helpful for more fully mitigating the disincentive to energy efficiency, may be insufficient for promoting energy efficiency in Nevada.⁷ Additionally, Conservation Advocates highlighted that the current LRAM is insufficient to promote energy efficiency because it fails to address all sales losses due to distributed energy resources (DERs).

Conservation Advocates also suggested that there may be opportunities for enhancing the existing regulatory framework by (a) considering the role of utility in providing DERs to customers, (b) exploring “fixed cost” tariffs, (c) strengthening customer education and engagement strategies, and (d) evaluating the potential for customer-sited cost-effective greenhouse gas (GHG) free (or low) resources in the IRP. With respect to (d), it emphasized that the utility should be required to assess all potential resources (existing and new) in a side-by-side comparison to evaluate “early” retirement during the planning process. Additionally, Conservation Advocates expressed interest in exploring whether performance incentives could support *earlier* compliance with state policies like the RPS.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 3a-c.

⁷ In its regulatory assessment for just and reasonable rates, NV Energy indicated that it opposes decoupling on the basis that it would result in a more complicated, time-consuming, and contentious rate environment than the existing LRAM creates.

Observations and Areas for Further Attention

- Stakeholder comments around capital bias and the throughput incentive in the context of energy efficiency and clean energy deployment may be appropriate for further discussion in this proceeding.
- Specific alternative ratemaking mechanisms identified as applicable to energy efficiency and clean energy deployment include decoupling, tariffs designed to encourage clean energy deployments, and PIMs focused on early compliance with state energy efficiency, clean energy, and demand-response mandates.
- Metrics tracking annual energy savings by customer class; annual demand response, energy efficiency and/or renewable energy levels in relation to state goals; and/or cost-effective clean energy procurements can help guide future utility alternative ratemaking proposals. These or similar metrics may also be helpful for informing PUCN decisions about where changes to existing practices or procedures are needed.

DER Utilization & Effectiveness

Two stakeholders (AEE and Conservation Advocates) evaluated DER utilization and effectiveness. Both stakeholders argued that the COS model – in which utility earnings are largely dependent on rate base – poses a disincentive to this outcome.

AEE contended that while customer- or third-party owned DERs can reduce load growth and/or reduce need for utility investment in traditional resources and infrastructure, the COS model makes it unlikely that the utility will leverage DER investments in a way that provides customer benefits, including those from increased customer satisfaction, achievement of public policy goals at lower cost, provision of distribution grid services, support for local industry and job growth, lower customer energy bills, and improved resiliency. Additionally, AEE emphasized that the COS model does not reward customers for investing in DERs, despite growing customer demand for such technologies. It highlighted that failing to address this misalignment in incentives may result in the utility overbuilding.

For its part, Conservation Advocates highlighted that reliance upon rate base to determine utility earnings creates capital bias, which discourages the utility from utilizing non-utility assets. It also identified the “throughput incentive” as something to be mitigated or eliminated, and noted that the fuel cost rider⁸ and similar mechanisms insulate the utility from economic signals that would encourage it to optimize for non-fuel generation.

AEE argued that realigning utility incentives with the introduction of performance incentives, shared savings mechanisms (SSM), or other alternative ratemaking mechanisms can help the utility become a meaningful partner in the provision of services while avoiding financial harm. In particular, AEE emphasized that a SSM approach could help ensure that utilities evaluate non-wires alternatives (NWA) on an even playing field with traditional investments, and recommended that the majority of net benefits from any adopted SSMs flow to customers. AEE’s assessment of existing mechanisms also identified revenue decoupling, tariffs designed to recognize the value of DERs, and dynamic rates with timely price signals as potential

⁸ Fuel and purchased power costs are recovered in Nevada through the quarterly Base Tariff Energy Rate (“BTER”) and the quarterly Deferred Energy Accounting Adjustment (“DEAA”).

enhancements to, or replacements for, existing regulatory mechanisms in Nevada. Conservation Advocates again suggested a MYRP with performance incentives and decoupling as one way to better align utility incentives with the priority outcomes being discussed in this proceeding.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 4a-b.

Observations and Areas for Further Attention

- AEE and Conservation Advocates are interested in alternative ratemaking mechanisms as a way to reduce capital bias and the throughput incentive.
- Specific alternative ratemaking mechanisms identified for consideration include PIMs, SSMS focused on encouraging utility deployment of NWAs, revenue decoupling, tariffs designed to recognize the value of DERs, refinement of dynamic rates with timely price signals, and MYRPs. Stakeholders may also wish to consider other alternative ratemaking mechanisms described in Section III that relate to this outcome (e.g., Totex accounting, bring-your-own-device programs, etc.)
- Metrics tracking DER utilization, DER interconnection time, NWA deployments, and/or peak demand reduction can guide future utility alternative ratemaking proposals and help illustrate how capital bias discourages this outcome. These or similar metrics may also be helpful for informing PUCN decisions about if and where changes to existing practices or procedures are needed.

Consideration for Low- and Moderate-income Customers

Two stakeholders (Staff and BCP) evaluated the consideration for low- and moderate-income (LMI) customers outcome. Neither provided an overall score of whether the existing regulatory framework incents, disincentivizes or has no impact on this outcome. However, BCP's comments suggest that it generally found the existing regulatory framework to be supportive of this outcome. By contrast, Staff highlighted multiple deficiencies in how LMI customers are considered and addressed within PUCN practice.

For example, Staff emphasized that the existing regulatory framework in Nevada does not take LMI customers into consideration when setting program budgets or setting rates. It noted that even where there is a carveout for low-income customers, consideration is not typically given to the cost that participating customers will need to pay for the program itself. Further, Staff noted that special tariffs, new programs, and agreements with large customers shift costs to low-income customers without providing them with direct benefits or assistance to help them cover the additional costs. BCP agreed with this point, noting that many tariffs subsidize the upper middle class at the expense of the lower middle class – and requesting that the PUCN avoid adopting new rules to incentivize special large customer contracts at the expense of other customers.

Staff concluded that changes to existing mechanisms and practices are needed to support low-income customers in ways that ensure these customers are not overly burdened by new programs, tariffs, or rates that do not provide them with direct benefits.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 5a-b.

Observations and Areas for Further Attention

- Similar to the stakeholder discussion of just and reasonable rates, a key theme with respect to this outcome is that certain customers may bear the burden for mechanisms from which they do not directly benefit.
- Stakeholders may wish to consider whether and how LMI customers should be addressed in any utility alternative ratemaking proposal. In particular, stakeholders are encouraged to consider how consideration for LMI customers could be applied as an evaluation criterion during the PUCN's assessment of all utility proposals.
- Metrics (existing or new) tracking the share of customer income spent on electricity, participation in low-income customer programs, and/or disconnections for non-payment can help guide future utility alternative ratemaking proposals.

GHG Reduction

Two stakeholders (Staff and Conservation Advocates) evaluated the GHG reduction outcome. Staff did not provide an overall score for this outcome. Conservation Advocates found that the existing regulatory framework does not sufficiently support GHG reduction.

With respect to individual mechanisms, the two stakeholders agreed in their assessment of many existing mechanisms in the template. However, they disagreed on how several key mechanisms impact GHG reduction. For example, Staff found the GRC to have no impact, whereas Conservation Advocates emphasized that continued reliance upon rate base to determine utility earnings creates a disincentive for utilities to utilize non-utility assets or to retire utility assets that are not fully depreciated. Similarly, Staff indicated that fuel and purchase power cost recovery supports GHG reduction, but did not elaborate on how. By contrast, Conservation Advocates asserted that it insulates the utility from fuel costs and therefore undervalues renewables, despite their lack of fuel costs.

Staff noted several specific ways that existing mechanisms could support this outcome. First, it noted that special tariffs for green energy and community solar could potentially help customers procure more renewables, thereby resulting in GHG reductions. Staff also indicated that in the IRP, preference can be given to utility-scale renewable energy projects that reduce GHG emissions. For its part, Conservation Advocates identified several additional mechanisms that are reducing or have the potential to reduce GHG emissions, including: net energy metering, expanded solar access, and incentives for GHG free- or low-DERs at critical facilities. Conservation Advocates suggested that MYRPs with performance incentives and/or a decoupling mechanism could better align the existing regulatory framework with this outcome.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 6a-b.

Observations and Areas for Further Attention

- Similar to the discussion around energy efficiency and clean energy deployment, further stakeholder dialogue around the impact of capital bias and the throughput incentive on GHG reduction may be constructive.
- Specific alternative ratemaking mechanisms identified for this outcome include special tariffs for green energy and community solar, MYRPs with PIMs, and/or decoupling and targeted enhancements to the IRP process. Stakeholders may also wish to consider whether accelerated depreciation and securitization could offer a helpful approach for addressing the retirement of existing, non-fully depreciated assets in favor of lower-GHG options. These concepts are described in more detail in Section III.
- Metrics tracking, whether ongoing or implemented in the future, for CO₂ emissions from utility-owned generation assets, power purchase agreements (PPAs) and purchased power (e.g., tons of CO₂/MW or MWh), and carbon intensity (e.g., emissions per MWh) can help guide future utility alternative ratemaking proposals.

Customer Satisfaction

Two stakeholders (Staff and BCP) evaluated customer satisfaction. Neither stakeholder offered a determination as to whether the existing regulatory framework incents or discourages this outcome. Staff suggested that customer satisfaction extends beyond just the impact on customer rates, and argued that more information about customer preferences is needed. By contrast, BCP appeared to associate customer satisfaction primarily with rate levels and stability, and suggested that the existing regulatory framework sufficiently supports these attributes. With respect to specific mechanisms, the stakeholders disagreed about whether the LRAM negatively impacts customer satisfaction. The stakeholders agreed that Special Tariff/Energy Supply Agreements for certain customers may discriminate against other customers or customer classes who must take on additional costs without associated benefits.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 7a-b.

Observations and Areas for Further Attention

- Stakeholder comments suggest there is not alignment around the meaning of customer satisfaction. It may be prudent to collect additional information about customer preferences and expectations that go beyond rates in parallel to considering specific alternative ratemaking mechanisms for this outcome.
- NV Energy currently reports on multiple customer satisfaction metrics including those related to customer programs, payment channels, and contact center interactions in its Annual Service Quality and Metrics Report. The utility's latest report can be found in PUCN Docket No. 20-04001.

Administrative Costs

Two stakeholders (Staff and NV Energy) evaluated administrative costs. Whereas Staff did not provide an overall score, NV Energy identified two key mechanisms that are time and resource intensive and thus asserted that the existing regulatory framework does not support achieving the outcome. Specifically, NV Energy discussed the intensive filings and processes for GRCs and Clean Energy Incentive Programs and offered a set of possible solutions, including extending the time between rate cases, consolidating Nevada Power Company and Sierra Pacific Power Company rate cases, and eliminating filings that are redundant, not relevant, or less useful. Staff similarly noted that program carve-outs like the Clean Energy Incentive Programs discourage regulatory efficiency. However, Staff indicated the three-year rate case cycle remains helpful because its predictability and frequency is important for planning and employee training purposes. Staff also noted that the IRP streamlines review during the GRC by addressing project prudence in advance – allowing for a focus on incurred costs during the GRC.

Staff found that Special Tariffs/Energy Supply Agreements are administratively inefficient, because they are typically only reviewed after-the-fact and make it more difficult for the PUCN to ensure fairness across customer classes. Staff also raised concerns that this approach resembles “single-issue ratemaking.” Additionally, Staff suggested that the ESM is administratively challenging given the 210-day GRC approval window, as individual items in the ESM accounts must be reviewed for appropriateness.

In addition to their evaluations, Staff suggested several areas where additional information gathering could help streamline or support program implementation. For example, Staff suggested that the PUCN consider whether there is asymmetry in how Regulatory Assets/Regulatory Liabilities are requested and granted, and whether a threshold approach may be appropriate. Staff also recommended that NV Energy share data and analysis on the effectiveness of its current TOU offerings and where these programs could be improved. Staff also recommended that attention should be given to whether new statutory authority is needed to authorize something more useful than the LRAM.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 9a-9b.

Observations and Areas for Further Attention

- Staff suggest there may be opportunity to streamline existing processes and procedures to reduce administrative costs. For example, utility alternative ratemaking plans could potentially offer a venue to consolidate other related utility filings. Staff also suggests that Special Tariffs would be more efficiently and fairly adopted if the PUCN assessed them in advance.
- Metrics tracking the frequency of rate cases and other utility filings, the effectiveness of NV Energy’s existing TOU rates, or other performance areas could help guide future utility alternative ratemaking proposals and inform PUCN decisions about where changes to existing practices or procedures are needed.

Cost Control

One stakeholder (Staff) evaluated the cost control outcome. Staff did not provide a score assessing whether the existing regulatory framework incents, disincentivizes or has no impact on cost control. However, Staff highlighted several existing mechanisms with structures that may be misaligned with this outcome.

With respect to the LRAM, for instance, Staff highlighted that in the short run the utility does not have an incentive to control costs because it gets paid even though usage declines. Similarly, Staff commented that with the existing ESM, while there is an incentive for the utility to control costs to the extent that they keep some portion above the deadband, the utility may be able to manipulate expenses such that they do not go above the deadband. In the same vein, Staff noted that allowance of Regulatory Assets may result in the utility being less careful of costs because it is likely to recover those costs. Staff also noted that there is an asymmetry in the discussion of Regulatory Assets/Regulatory Liabilities, as the utility rarely proposes liabilities.

More generally, Staff also indicated that while cost control trickles down to all rates, it can have uneven impacts across industries. Staff highlights, for example, that Rule 9 overheads impact construction and builders. Staff added that it has few tools in the GRC to encourage cost control other than disallowances, and suggests that a different mechanism may be useful for ensuring this outcome during the GRC.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 8-8a.

Observations and Areas for Further Attention

- Further consideration of cost control – with attention to possible impacts across industries and customer classes – will be an important component of dialogue around alternative ratemaking mechanisms.
- While there does not appear to be a particular alternative ratemaking proposal associated with Staff's discussion of this outcome, stakeholders may wish to consider whether there are alternative ratemaking mechanisms that can provide the PUCN with more flexibility to address cost control during the GRC or through some other means. This notion may also be appropriate for consideration in the context of just and reasonable rates.
- Metrics tracking the optimized use of transmission assets and energy resources, infrastructure expenditure deferrals, NWA utilization, or other data may be helpful to guide future utility alternative ratemaking proposals for this outcome.

Customer Choice and Engagement

One stakeholder (Staff) evaluated the customer choice and engagement outcome. While it did not provide a score for whether the existing regulatory framework supports or discourages this outcome, Staff highlighted several mechanisms that may warrant attention to ensure the maintenance of non-discriminatory rates within and across customer classes. For instance, Staff suggested that the LRAM, Special Tariff/Energy Supply Agreements, and Clean Energy Incentive Programs may result in a disparity in engagement between participating customers and non-participating customers. Additionally, Staff highlighted that it is unclear if NV Energy performs frequent customer surveys or focus groups that evaluate customer satisfaction and

ways to improve engagement. It suggested appraisals like this may be helpful for the utility to gain insight into which programs, rates, and tariff structures may be most meaningful to its residential, multi-family, and other customers.

While AARP did not fill out a regulatory assessment for customer choice and engagement, it noted that this outcome should be oriented around the objectives that the PUCN and stakeholders want customer programs to achieve. It emphasized that engagement for its own sake should not be an outcome for utility regulation or alternative ratemaking. AARP also suggested that innovative customer programs should prioritize a “set it and forget it” approach.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 10-10a.

Observations and Areas for Further Attention

- Stakeholders may wish to seek additional information on the aspects of engagement that different customer classes view as most important. As stakeholders consider the conditions under which different alternative ratemaking mechanisms might be acceptable for Nevada, they should pay continued attention to disparities in rates and engagement within and across customer classes.
- Metrics tracking quantity of customer complaints, results from customer satisfaction surveys, adoption of diverse customer tariff options, non-standard rate participation, and rate transparency to customers may be helpful for guiding future utility alternative ratemaking proposals related to this outcome.

Reliability

One stakeholder (Staff) evaluated the reliability outcome. Staff did not provide an overall score for this outcome. Staff noted that the GRC and IRP processes support reliability by providing the necessary funding to maintain reliability and via load forecasting, but indicated that in both cases the public is not broadly interested or involved. Indeed, it highlighted that customers simply “always expect the lights to come on.” Staff did note that certain TOU rate schedules are intended to be interrupted for reliability purposes (such as IS-2) and because of that, TOU rates can incent reliability.

Summaries of stakeholder assessments for this outcome are in Attachment 1 – Tables 11-11a.

Observations and Areas for Further Attention

- Stakeholder comments highlight that utility provision of reliable service is a foundational assumption for most customers. Although not thoroughly discussed, this outcome remains critical for consideration in Nevada.
- In particular, given recent events regarding resource adequacy and the PUCN’s nascent docket addressing resource adequacy and planning (Docket No. 20-08014) stakeholders may wish to revisit reliability in the context of the goals and outcomes for this proceeding, metrics, and possible alternative ratemaking mechanisms.
- NV Energy currently reports on reliability metrics including CAIDI, SAIFI and SAIDI in their Annual Service Quality and Metrics Report. The utility’s latest reports can be found in PUCN Docket No. 20-04001.

Safety

One stakeholder (Staff) evaluated the safety outcome. While Staff did not provide an overall score for this outcome, it highlighted that safety of customers and the general public should not require additional financial incentives beyond the utility's exclusive monopoly franchise. Staff further noted that if the utility were to be found to be ignoring or not reporting safety issues, then the GRC provides a means to disallow costs and to lower rates of return for such issues.⁹

Observations and Areas for Further Attention

- Lack of multiple stakeholder responses regarding safety suggest that there may not be significant interest in discussing this outcome in the context of alternative ratemaking. Nonetheless, safety remains a critical outcome of utility regulation in Nevada.
- NV Energy currently reports on safety metrics including OSHA recordable injuries and preventable vehicle accidents in their Annual Service Quality and Metrics Report. The utility's latest report can be found in PUCN Docket No. 20-04001.

Cybersecurity and Privacy

One stakeholder (Staff) evaluated cybersecurity and privacy. Staff asserted that the existing regulatory framework in Nevada has no impact on achievement of this outcome. Instead, Staff noted that cybersecurity and privacy are primarily encouraged via customer tariffs and approved GRC costs in rates. AARP did not evaluate cybersecurity and privacy but noted that the two should be considered separately and asserted that metrics should be developed through the perspective of customer expectations.

Observations and Areas for Further Attention

- Lack of multiple stakeholder responses on cybersecurity and privacy, coupled with Staff's conclusion that the existing regulatory framework has no impact on this outcome, suggest that there may not be significant interest in discussing this outcome in the context of alternative ratemaking.
- Interested stakeholders may nonetheless wish to consider and test ideas for performance metrics or applicable alternative ratemaking mechanisms that could help support this outcome for future discussion in this process and beyond.

⁹ One other stakeholder, Mr. Tony Simmons, filed comments related to safety. It is unclear that the issues raised by Mr. Simmons are related to alternative ratemaking, however.

SECTION III: ALTERNATIVE RATEMAKING OPTIONS AND PATHWAYS FOR NEVADA

Alternative Ratemaking Options for Consideration

SB 300 directs that the PUCN identify in its regulations the alternative ratemaking mechanisms that are eligible for inclusion in utility proposals, including: performance-based rates, formula rates, MYRPs, subscription pricing, earnings sharing mechanisms, and decoupling mechanisms. To assist stakeholders in providing input on which concepts may be most applicable for Nevada, this section provides a menu of alternative ratemaking options with associated descriptions. Presentations on many of these mechanisms from an earlier stage of this proceeding can be found on the [PUCN's website](#).

In addition to the alternative ratemaking mechanisms specifically listed in SB 300 and noted above, this paper introduces other alternative ratemaking mechanisms for stakeholder consideration.¹⁰ Moreover, as noted in Concept Paper 2, the PUCN already employs or has codified some alternative ratemaking mechanisms. As such, stakeholders may consider a broad range of alternative ratemaking mechanisms. They may also think about enhancements to existing alternative mechanisms that electric utilities currently employ or others that are set forth in statute or regulation, but that utilities are not using.¹¹

Performance-based Rates

SB 300 defined performance-based rates as “rates that are set or adjusted based on the performance of an electric utility as determined by such performance metrics as the PUCN may establish.” Performance-based rates thus allow for revenue growth for the utility based on a series of metrics, other than costs, that may be established by the PUCN itself, or in a proceeding such as the present one where stakeholders may weigh in on metrics most important for achieving policy goals. The term Performance Incentive Mechanisms (PIMs) is typically used to describe the discrete mechanisms that can individually or in combination contribute to performance-based rates.

For example, the Rhode Island PUC has adopted a system efficiency PIM for National Grid focused on peak demand reduction. The PIM measures incremental megawatts of annual peak capacity savings relative to the company’s forecast. The metric is intended to reflect avoided capacity coincident with the ISO-NE peak hour.¹² Eligible resources include demand response, behind-the-meter solar and storage in excess of forecast levels, non-wires solutions expected to influence system peak (unless they are already incentivized through a different mechanism),

¹⁰ In SB 300, the definition of an alternative ratemaking mechanism includes “any other rate-making mechanism authorized by the Commission by regulation.” NRS 704.7611. As such, the PUCN has authority to adopt alternative ratemaking mechanisms not specifically listed in SB 300.

¹¹ Concept Paper 2 listed the following alternative ratemaking mechanisms not presently in use but permitted under Nevada law: authority to implement decoupling; imputed debt for renewable PPAs and energy efficiency contracts; additional incentives for specific energy efficiency and conservation programs; and variable interest on debt recovery.

¹² ISO New England is a Regional Transmission Organization serving six states: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

and third-party peak reduction solutions.¹³ The utility reward for this PIM is set as a share (45%) of the “quantifiable net benefits” derived from the PUC’s cost-benefit framework.¹⁴

Similarly, New York has approved “Environmentally Beneficial Electrification” PIMs for several utilities in the state. These PIMs attempt to capture the lifetime MT CO₂ avoided from the use of EVs and heat pumps in the utilities’ service territories. The PIMs measure incremental EVs and Plug-in Hybrid Electric Vehicles (PHEVs) in the utilities’ service territory, then compare this to a peer group of other utilities’ service territories. Avoided emissions from heat pumps are calculated using the quantity of rebates that the utilities provide for heat pumps. Under this PIM, the utility is allowed to earn proportionally on a \$/MT CO₂ basis between the minimum and maximum target range.¹⁵

Formula Rates

Formula rates are defined in SB 300 as “rates that are periodically adjusted based on a predetermined formula approved by the PUCN without the need for an electric utility to file a general rate application pursuant to NRS 704.110.” In short, formula rates allow for some formula to change rates between rate cases, and thus can prevent a utility from over- or under-earning between formal rate reviews. Formula rate plans in Illinois, for example, provide utilities the opportunity to have their rates set by a yearly formula provided the utilities meet certain performance conditions.¹⁶ Issues normally subject to dispute in a rate case, such as rate of return, future test year, forecasted plant additions, and related depreciation have set treatment in the formula rate case. The use of formula rates in Illinois has decreased the length of rate cases as a result.¹⁷ Formula rates can overlap with other mechanisms such as MYRPs or decoupling.

Multi-year Rate Plans

SB 300 defines MYRPs as “rate mechanisms under which the PUCN sets rates and revenue requirements for a multi-year plan period of more than 36 months, including, without limitation, a plan which authorizes periodic changes in rates, including, without limitation, adjustments to accounts for inflation or capital investments, without a general rate application.” MYRPs thus compensate a utility for its service for several years with revenue that, while reflective of cost pressures, does not strictly track the utility’s COS. Separating revenues from the utility’s own COS can provide incentives to improve performance and contain costs. In concept, a well-designed MYRP can align the interests of utilities, regulators, and customers. A key feature of MYRPs is that they reduce the frequency of rate cases, thus freeing up resources for utilities, stakeholders, and regulators.

¹³ *Amended Settlement Agreement Compliance Attachment 1-2*, National Grid, Rhode Island PUC Docket Nos. 4770/4780, p. 69-71 (August 2018): <http://www.ripuc.org/eventsactions/docket/4770-4780-NGrid-ComplianceFiling-Book%201%20through%207%20-%20August%2016,%202018.pdf>

¹⁴ *Id.*

¹⁵ *Joint Proposal by Niagara Mohawk Power, et al*, New York PSC Case No. 17-E-0238, Appendix 7 (January 2018). <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bC43AA3B9-3E5B-44C6-937E-63B3729A4D87%7d>

¹⁶ *Verified Petition to Initiate Annual Formula Rate Update and Revenue Requirement Reconciliation*, Commonwealth Edison Company, Illinois Commerce Commission (April 2020) https://www.comed.com/SiteCollectionDocuments/MyAccount/MyBillUsage/ProposedRevisions/2020_FRU_Petition.pdf

¹⁷ *A Formula For Grid Modernization?* Ann McCabe, *Fortnightly Magazine* (May 2016) <https://www.fortnightly.com/fortnightly/2016/05/formula-grid-modernization>

In practice, MYRPs place a freeze on rate cases for a set period of time. Between rate cases, an Attrition Relief Mechanism (ARM) may automatically adjust rates or revenue. The ARM does not link relief to a utility's own cost growth, but instead ties the utility revenues to external market factors. MYRPs can be designed in numerous different ways. For instance, several different types of ARMs can be used to adjust rates or revenue. MYRPs are often paired with other alternative ratemaking mechanisms such as performance-based rates (to ensure cost-cutting is not at the customer's expense, for example), ESMs, and decoupling. There are risks to MYRPs in that they allow for automatic rate increases, involve complex revenue adjustment mechanisms, and provide fewer opportunities to review utility costs and rates. Cost trackers can also be used for expedited recovery of utility costs outside of ARM, such as for major capital costs. Cost trackers can weaken cost containment incentives of a MYRP, however, by diluting the utility's concern over recovery.

Several states have used MYRPs for many years to reduce regulatory costs of frequent rate cases and to strengthen utility incentives to contain costs.¹⁸ New York, for example, has used MYRPs since the mid-1990s. New York plans are usually for a conservative three-year term. They often include revenue decoupling and PIMs to encourage utility demand side management and improved service quality. They may also include an asymmetrical ESM, which shares only surplus earnings. Newer options within New York's plans allow utilities to earn new revenues for displacing traditional infrastructure projects with NWA's.¹⁹

In Iowa, MidAmerican Energy operated under a MYRP framework without intervening rate cases between 1997 and 2013, following a settlement that required a rate case stay-out. In addition to lengthening the interval between rate cases, MidAmerican's MYRPs included: an off-ramp allowing for a rate case if earnings were excessively low or high, and an earnings sharing mechanism that refunded a share of surplus earnings to customers. Later settlements extended the MYRP cycle and directed the earnings sharing to fund new plant additions. Despite several severe weather events and significant new generation build during this period, MidAmerican did not increase its base rates—indeed, rates actually decreased for residential customers. Service quality remained stable and cost performance improved during this period.²⁰

Efficiency Carryover Mechanisms

An efficiency carryover mechanism (ECM) enables a utility to continue to benefit from cost savings achieved during an MYRP after the end of the plan period. Inclusion of an ECM in an MYRP can help strengthen the cost-containment incentives provided by the MYRP, particularly as the plan term nears its end. Regulators in Australia, for instance, have implemented ECMs to strengthen incentives for cost control in their electric distribution companies' MYRPs. Australia's ECMs are also designed to mitigate utility capital bias by "equalizing" utility incentives for capex and opex, and sharing savings back to customers.²¹

¹⁸*State PBR Using Multi-Year Rate Plans for U.S. Electric Utilities*, M. Lowry et al., (July 2017).

¹⁹ *Id.*

²⁰ *Id.*

²¹*Improving the PBR Framework in Hawaii: Addressing the Risk of "Capex Bias"*, Brattle Group, (January 2019). https://brattlefiles.blob.core.windows.net/files/15450_improving_the_pbr_framework_in_hawaii_-_addressing_the_risk_of_capex_bias.pdf.

Subscription Pricing

Subscription pricing is defined in SB 300 as “a rate offering to the customers of an electric utility that is based upon a set, subscription-based fee and may include other conditions for the subscription-based rate.” A subscription rate may include a monthly subscription rate plus energy costs allowed for the subscription rate or it may be an “all you can eat” rate. There is a risk that subscription rates can hide price signals, thus discouraging conservation or efficient DER use, in particular with subscription rates that allow for unlimited usage.

Électricité de France, for example, has three subscription rates: the Bleu rate is for apartments and small homes; the Heures, for homes with electric water heaters; and the Tempo, for large homes. All three rates include small effective customer charges for billing and collection, a subscription for the connected load based on the contract rating (demand charge), and the choice of flat, TOU, or critical peak energy pricing.²² By contrast, HydroOne in Ontario charges a subscription delivery charge of approximately \$35 to all customers regardless of the size or demand of the customer. As a result, HydroOne’s approach decreases incentives for energy efficiency and management of usage.

Earnings-sharing Mechanisms

An ESM is defined in SB 300 as “a mechanism designed by the PUCN that requires an electric utility to share earnings with its customers.” An ESM thus creates a situation where the utility and its customers may share in both upside and downside earnings when return on equity (ROE) deviates significantly from a PUCN-approved target. ESMs often have “deadbands,” or neutral zones around the target, in which earnings variances are not shared with customers.

ESMs are common and already used in Nevada.²³ ESMs are also used as a part of MYRPs in other states. Iowa Mid-American Power, for example, included an ESM in its MYRP that refunded a share of earnings surpluses to customers.²⁴

Revenue Decoupling

SB 300 defines decoupling as a “mechanism that disassociates an electric utility’s financial performance and results from the sales of electricity by the electric utility.” Decoupling addresses a fundamental challenge of traditional ratemaking: the throughput incentive; utilities earn income by selling kWh and therefore have an incentive to maximize sales. This incentive structure thus focuses the utility on increased sales at the expense of other outcomes such as end-use energy efficiency, customer-sited resources, and other policy goals that may require the utility flexibility to reduce sales. Decoupling removes the throughput incentive by ensuring that a utility can collect its allowed revenue requirement via adjustments to rates between rate cases. In short, traditional regulation sets prices and lets revenues rise and fall with sales volumes; decoupling resets revenues to recover target non-power costs by adjusting the price.

Decoupling mechanisms have been adopted in many states for the electricity and gas sectors. There are many choices in designing decoupling mechanisms. Decoupling mechanisms can be paired with existing rate designs or can be tailored to meet other policy goals such as reducing

²² *Subscription Rates and the Public Interest: Presentation to NARUC Staff Subcommittee on Rate Design*, Regulatory Assistance Project, (May 6, 2019) https://www.raonline.org/wp-content/uploads/2019/06/rap_lebel_lazar_linvill_subscription_rates_naruc_rd_subcomm_2019_may_6.pdf.

²³ See Concept Paper 2, p. 53 for an explanation of how the existing ESM works in Nevada. http://puc.nv.gov/uploadedFiles/pucnv.gov/Content/Utilities/Electric/PUCN%20Second%20Concept%20Paper_FINAL.pdf.

²⁴ *State PBR Using Multi-Year Rate Plans for U.S. Electric Utilities*, M. Lowry et al., (July 2017).

impacts on low- and moderate-income customers. Decoupling mechanisms can also be used in tandem with other alternative ratemaking mechanisms. National Grid, in Massachusetts, for example, uses a revenue regulation mechanism that compares authorized distribution revenue to actual distribution revenue, and makes adjustments for each customer class.²⁵ Complementary policies include a requirement for the procurement of all cost-effective energy efficiency, the use of inclining block rates, optional TOU rates, and PIMs for service quality.²⁶

Capitalization of Operating Expenses

By capitalizing certain categories of expenses and allowing the utility to earn a return on them, capital bias can be reduced or removed for those particular categories. A number of states, including Nevada, allow utilities to earn a rate of return on operating expenses associated with demand-side management or energy efficiency. In Nevada, utilities are permitted to earn a return on the operating expenses associated with energy efficiency implementation through the Energy Efficiency Implementation Rate.

Other states have explored allowing utilities to capitalize operating investments associated with contracts for service-based solutions, like cloud computing or other information technology (IT) solutions. For example, the New York PSC has allowed utilities to capitalize the total cost of pre-paid cloud computing contracts and record it as a regulatory asset in rate base.²⁷

Totex Accounting

A more comprehensive option for addressing capital bias is the concept of totex. This approach involves combining capex and opex into a single regulatory construct, on which the utility is eligible to earn a return. This removes the overall incentive for the utility to favor capital investments over other expenditures. The United Kingdom's RIIO (Revenue = Incentives + Innovation + Outputs) offers an example of this approach in practice. Under RIIO, distribution network operators can earn a rate of return on both capex and opex expenditures according to a pre-set percentage split.²⁸

Shared Savings Mechanisms

An SSM is a type of PIM which allows the utility to retain a portion of the savings that result from a particular program or initiative. In cases where these savings result from reduced capital investment (e.g., avoided transmission and distribution costs from NWA), an SSM can weaken capital bias within its purview. SSMs can also be applied in myriad contexts to encourage utilities to attain specified targets in a cost-efficient manner.

In the United States, SSMs have been applied in various jurisdictions and contexts. The Hawaii PUC, for example, has approved SSMs that allow the Hawaiian Electric Companies to earn 20% of the estimated savings from low-cost renewable energy PPAs. The remaining 80% of savings is shared with customers. Estimated savings are determined by comparing the renewable PPA

²⁵ *Decoupling Case Studies: Revenue Regulation Implementation in Six States*, Janine Migden-Ostrander, et al., (July 2014). <https://www.raponline.org/wp-content/uploads/2016/05/rap-watsonmigdenostranderlamont-implementingdecoupling-2014-jul.pdf>

²⁶ *Id.*

²⁷ *Regulatory Accounting of Cloud Computing – Software as a Service in New York and Illinois*, AEE (2018) https://info.aee.net/hubfs/IL_NY%20Cloud%20Computing%20Final%20.pdf

²⁸ *Reimagining the Utility*, Rocky Mountain Institute (2018); <https://blog.aee.net/uk-riio-sets-out-to-demonstrate-how-a-performance-based-regulatory-model-can-deliver-value>

price against a benchmark set according to recent low-cost renewable and renewable plus storage projects. In 2019, the PUC expanded this SSM to include standalone storage and ancillary services from aggregated DERs.²⁹

Similarly, the Rhode Island PUC allows National Grid to earn 20% of the net benefits from DERs (including NWAs) that are found to be cost-effective, installed for reliability purposes, and meet certain timing and other criteria. The remaining 80% of net benefits is shared with customers.³⁰

In New York, the Public Service Commission (PSC) has allowed ConEd shareholders to earn 30% of the net benefits from cost-effective NWAs, with the remaining 70% shared with customers. The goal of this SSM is to reward the utility for “maximizing customer benefits and minimizing the costs required to achieve those benefits.” Net benefits rely upon the net benefits of an NWA project versus the net benefits of the traditional transmission and distribution infrastructure assets that would have been built.³¹

In Michigan, the PSC has also adopted shared savings mechanisms for energy efficiency at the legislature’s direction, “in order to ensure equivalent consideration of energy waste reduction resources within the integrated resource planning process.”³²

Accelerated Depreciation or Securitization

As the cost of renewables falls, utilities are increasingly facing situations in which continued operation of fossil assets is not the least-cost alternative, but undepreciated plant balances pose a barrier to early retirement. Securitization provides a way to overcome this barrier by allowing utilities to refinance uneconomic assets through the issuance of ratepayer-backed bonds. (An asset is considered uneconomic if, for example, issuance costs and interest expenses related to bonds plus the cost of the new low-carbon alternative is less than maintaining the existing plant). A utility can then reinvest this capital in low-carbon alternatives, which may result in saving ratepayers money and contributing to environmental outcomes. Securitization is a tool drawn from the traditional COS framework, but likely constitutes an alternative ratemaking mechanism for the purposes of this proceeding.

The Colorado legislature recently enabled the use of securitization to hasten plant retirement as part of SB 19-236.³³ New Mexico has also allowed securitization as part of the Energy Transition Act (ETA). The securitization provision in the ETA authorized Public Service Company of New Mexico to use a securitization mechanism for retiring the San Juan Generating Station. The bill also provided that a portion of the savings from the use of the securitization mechanism was to go into funding for impacted communities.³⁴ Securitization thus provided benefits for the utility and transition assistance for the community.

²⁹ Order 35405 (2017) and Order 36604 (2019), Hawaii Public Utilities Commission, Docket No. 2017-0352.

³⁰ *Rhode Island 2019 System Reliability Procurement Plan*, Docket No. 4889 (2018), Section 13.3.

³¹ *Order Approving Shareholder Incentives*, New York PSC Docket No. 15-E-0229, <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bEC92112B-7486-4623-B41A-A2D9FDE90232%7d> (2017).

³² Michigan Public Act No. 341, Section 6x, <https://www.legislature.mi.gov/documents/2015-2016/publicact/htm/2016-PA-0341.htm>.

³³ Colorado Senate Bill 19-236, https://leg.colorado.gov/sites/default/files/2019a_236_signed.pdf.

³⁴ New Mexico Senate Bill 0489, <https://www.nmlegis.gov/Sessions/19%20Regular/final/SB0489.pdf>.

Incentivized Fuel-Cost Trackers

As several stakeholders noted in their comments, the Fuel Cost Recovery Mechanism passes fuel costs entirely through to customers, giving utilities little incentive to contain them.³⁵ Traditional pass-through treatment of these costs is often justified by the idea that utilities have little control over fuel prices. However, utilities increasingly do have control over the reliance of their generation fleet (or the power they purchase through market transactions) on fossil fuels. Incentivizing the utility to reduce this reliance can contribute to meeting priority outcomes including just and reasonable rates, cost control, and energy efficiency and clean energy deployment, among others. Incentivized cost trackers can support this effort by passing on less than 100% of fuel costs through to customers. In New York, for example, utilities were required to absorb part of fuel costs if actual fuel costs are above forecasted fuel costs; symmetrically, the utilities may retain savings if actuals are below their forecasts. A study of the results from this mechanism found that utilities subject to this mechanism operated plants more efficiently.³⁶

Bring-Your-Own-Device Programs

Bring-Your-Own-Device (BYOD) programs refer to programs that encourage customers to enroll their own pre-approved devices to participate in energy efficiency and demand response programs managed through the utility or an energy supplier. Examples of devices that may be used include thermostats, water heaters, smart appliances, battery storage, EVs, and smart solar inverters. Green Mountain Power's (GMP) BYOD home battery pilot program, for example, provides incentives for customers to purchase their own battery in exchange for providing access to stored energy during peak times.³⁷ Notably, GMP has incorporated a locational component into this program; customers that enroll batteries in areas "where extra storage is needed" are eligible for an additional \$/kW payment.³⁸

Similarly, in Massachusetts, National Grid recently expanded its ConnectedSolutions program to include a wider list of devices, including residential solar plus battery systems. The battery program, which initially allowed customers to enroll pre-approved smart thermostats to provide demand response during summer peaks, now rewards customers on a pay-for-performance basis for the average kW curtailed during summer and winter dispatch events.³⁹

Other Financial Mechanisms

Some states have adopted custom financial mechanisms aimed at achieving specific outcomes that do not fit easily within other categories in this section. In 2019, for instance, the Michigan PSC approved a "financial compensation mechanism" (FCM) in Consumers Energy's IRP proceeding. The FCM is designed to address the utility's incentives under traditional ratemaking to procure self-owned assets rather than cost-effective PPAs. The PSC found the FCM to be in the public interest because it transparently "removes the disincentive for Consumers to enter

³⁵ Concept Paper 2 described how fuel and purchased power costs are recovered in Nevada. See discussion of Deferred Energy Accounting Adjustment (DEAA) and Quarterly Adjustment of Fuel and Power Costs, for example. Concept Paper 2 is available at [http://puc.nv.gov/uploadedFiles/pucnv.gov/Content/Utilities/Electric/PUCN Second Concept Paper_FINAL.pdf](http://puc.nv.gov/uploadedFiles/pucnv.gov/Content/Utilities/Electric/PUCN%20Second%20Concept%20Paper_FINAL.pdf).

³⁶ *PBR: An Overview*, John Shenot, Regulatory Assistance Project, Colorado PUC Docket No. 19M-0661EG, https://www.raponline.org/wp-content/uploads/2020/09/rap_shenot_pbr-intro_co-puc2020_aug_28.pdf.

³⁷ *Bring Your Own Device*, Green Mountain Power website, <https://greenmountainpower.com/product/bring-your-own-device/>

³⁸ *Id.*

³⁹ *Battery Program*, National Grid website (MA), <https://www.nationalgridus.com/MA-Home/Connected-Solutions/BatteryProgram>

into long-term PPAs with third parties.”⁴⁰ The FCM is calculated as the PPA payment in that year multiplied by the company’s Weighted Average Cost of Capital (WACC) at the time of the PPA execution.⁴¹ Importantly, the FCM is accompanied by several other requirements, including a competitive procurement requirement for all future capacity additions and a 50/50 capacity procurement structure, (in which Consumers may own up to 50% of all future capacity additions procured through competitive solicitations).

Regulatory Sandboxes (or other Innovation Platforms)

Regulatory sandboxes are mechanisms that encourage innovation by allowing participants to experiment with new ideas, products, and business models in a small temporary trial with low risk. Regulatory sandboxes allow innovators to experiment with their ideas within a framework that may provide quicker access to regulators for approvals, decreased approval requirements, and few to no penalties if experiments fail. The projects, whether successful or not, are used to inform conversations about other possible solutions.⁴² Ofgem, the regulatory body in the United Kingdom, has offered regulatory sandboxes to innovators to try new ideas. Eligibility criteria include: a proposal that is “genuinely innovative,” the innovation “will deliver consumer benefits and consumers will be protected during the trial,” the innovation is disallowed by a regulatory barrier, and the innovator can develop a trial for the proposal. By allowing for trials of new ideas, Ofgem is able to collect information for use in future policy development.⁴³

Existing Alternative Ratemaking Mechanisms in Nevada

Separate from the mechanisms described above, Concept Paper 2 discussed multiple alternative ratemaking mechanisms that are already in use in Nevada:

- Special Tariffs for Certain Commercial Customers
- Electric Vehicle Commercial Charging Rider
- Economic Development Rate Rider
- Green Rider Rate Calculation
- Time-of-Use Tariffs for Residential and Business Customers
- Incentives for Critical Facilities
- Construction Work in Progress in Rate Base
- Regulatory Assets and Liabilities

Additionally, Concept Paper 2 described four alternative ratemaking mechanisms that exist in Nevada but are not currently used:

- Authority to Implement Decoupling

⁴⁰ *Order Approving Settlement Agreement*, Michigan PSC Case No. U-20165 (p. 84-85), <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t0000005HSSrAAO>; see also *Proposed Settlement Agreement*, p.9, <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t0000004PWXXAA4>.

⁴¹ Parties to the Settlement Agreement argued that credit rating agencies look less favorably upon long-term PPAs and that this additional risk is a further disincentive for the utility to invest in cost-effective PPAs. Others argued that the FCM provides an incentive for Consumers to retire fossil-fuel plants and add clean energy PPAs (including for solar, DR and other renewable and demand-side resources), which can help insulate Consumers from fuel cost volatility and from the regulatory risks associated with fossil generation.

⁴² NV Energy has implemented a number of pilot programs. See, e.g., Docket No. 20-04001, at p. 20 (discussing the FlexPay Program metrics).

⁴³ *What is a regulatory sandbox?*, Ofgem (September 2019). https://www.ofgem.gov.uk/system/files/docs/2018/09/what_is_a_regulatory_sandbox.pdf

- Imputed Debt for Renewable PPAs and Energy Efficiency Contracts
- Additional Incentives for Specific Energy Efficiency and Conservation Programs
- Variable Interest on Debt Recovery

We do not replicate the descriptions of each existing alternative ratemaking mechanism in this paper, but refer stakeholders to Section II: Category 5: Existing Alternative Ratemaking Mechanisms of Concept Paper 2 for further information.

Potential Pathways for Alternative Ratemaking in Nevada

SB 300 directs the PUCN to adopt regulations that facilitate an electric utility’s filing of an alternative ratemaking plan. Section 16 indicates that the regulations must, among other things: establish the alternative ratemaking mechanisms that may be included in utility plans and set limitations on alternative ratemaking mechanisms that can be proposed.⁴⁴

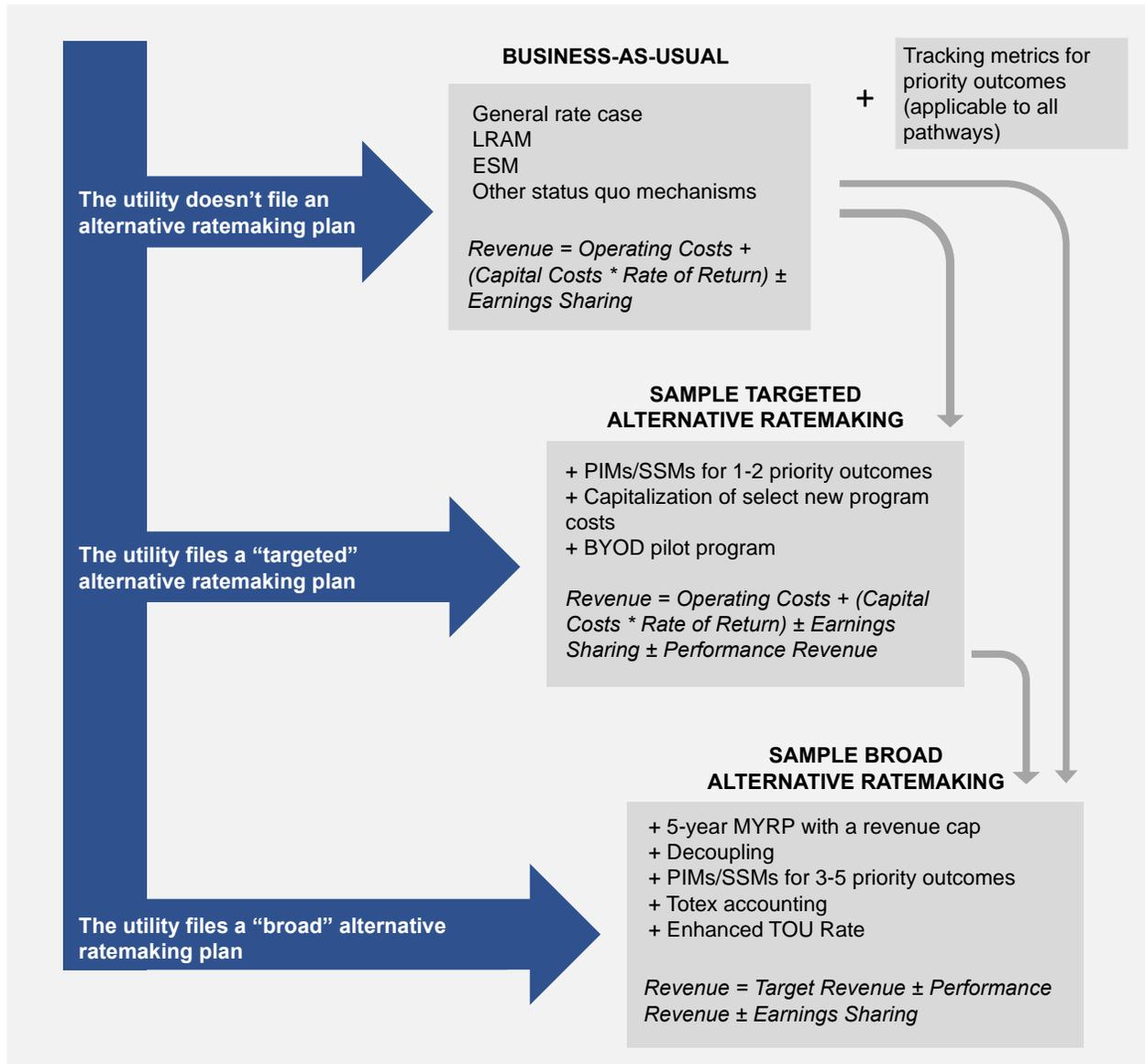
To assist the PUCN in carrying out these instructions and to clarify for stakeholders how alternative ratemaking might be applied, this section outlines three pathways that the utility could pursue with respect to alternative ratemaking in Nevada. It also describes sample combinations of alternative ratemaking mechanisms that could be associated with “targeted” or “broad” utility proposals. The three pathways are as follows:

1. **Business-as-Usual.** The utility does not file for alternative ratemaking treatment.
2. **Targeted Alternative Ratemaking.** The utility files an alternative ratemaking plan, or proposes alternative ratemaking treatment in other filings, that would apply a single or limited set of alternative ratemaking mechanisms tied to specific programs or investments.
3. **Broad Alternative Ratemaking.** The utility files an alternative ratemaking plan that embraces a more holistic alternative ratemaking framework.

Figure 2 illustrates these three pathways and provides sample utility alternative ratemaking mechanisms for the targeted and broad paths. Sample mechanisms are illustrative and based upon (a) stakeholder comments in written filings and workshops in this proceeding, and (b) the alternative ratemaking options outlined above in Section III of this paper. Importantly, these pathways are not necessarily sequential or mutually exclusive. In other words, the utility does not necessarily need to file a targeted alternative ratemaking plan prior to pursuit of a broader proposal. However, incremental or evolutionary incorporation of new alternative ratemaking mechanisms may ultimately be practical – particularly as the desired “end state” for how best to align Nevada regulations with priority outcomes comes into greater focus.

⁴⁴ The full list of items that must be included in regulations pursuant to SB 300 are listed in Section 16 of the legislation.

Figure 2: Three “Pathways” for Alternative Ratemaking Plans in Nevada



This Figure illustrates three pathways that Nevada utilities could pursue with respect to alternative ratemaking. Pathway 1, Business-as-Usual, reflects the Nevada ratemaking as it exists today (see Concept Paper 2 for more detail). For Pathways 2 and 3, RMI/RAP have created sample utility proposals to support stakeholder consideration for how different alternative ratemaking mechanisms might work in coordination. Pluses (+) indicate the addition of a new alternative ratemaking mechanism or replacement of an existing mechanism. Illustrative revenue formulas (in *italics*) offer a simplified look at how utility revenues would be calculated. The grey arrows highlight that utility alternative ratemaking plans could build over time as the PUCN, utilities, and stakeholders gain further experience with implementing alternative ratemaking in Nevada. They are not intended to suggest that utilities should necessarily begin with a targeted approach, however.

As noted in Section I of this paper, RMI and RAP understand that the PUCN considers the establishment of performance metrics to be an important next step for alternative ratemaking. These performance metrics – which will likely be established in a separate PUCN proceeding and may be adopted regardless of whether a utility files an alternative ratemaking plan – will help provide a baseline to inform PUCN decisions regarding electric utility alternative ratemaking proposals and other existing regulatory mechanisms and practices. Notably, while establishment

of expanded tracking metrics can inform future alternative ratemaking development, metrics development should not necessarily delay consideration of alternative ratemaking proposals that are justified and supported by current state policies, available information, and other regulations that may be established in this proceeding.

Pathway 1: Business-as-Usual

SB 300 does not require Nevada electric utilities to file alternative ratemaking plans.⁴⁵ Accordingly, the utility could choose not to file an alternative ratemaking plan for PUCN consideration. In this scenario, Nevada electricity regulations would continue to apply COS regulation with limited application of alternative ratemaking, as described more fully in Concept Paper 2. As noted above, the PUCN may consider the adoption of metrics for tracking purposes, which would not be dependent upon a utility filing of an alternative ratemaking plan. Utility revenue under the Business-as-Usual pathway would continue to be determined by the following simplified formula:

$$Revenue = Operating Costs + (Capital Costs * Rate of Return) \pm Earnings Sharing$$

NV Energy has indicated in its comments during this proceeding that it hopes to extend the time between rate cases and/or streamline the rate case cycle via other means. These comments imply that it may be more a question of when, rather than if, the utility files an alternative ratemaking plan. Accordingly, the next two pathways explore sample utility plans for targeted and broad alternative ratemaking proposals.

Pathway 2: Targeted Alternative Ratemaking

SB 300 notionally allows utility alternative ratemaking plan to include a single alternative ratemaking mechanism or a combination of mechanisms. For illustrative purposes, our sample “targeted” utility alternative ratemaking plan includes three incremental alternative ratemaking mechanisms to address specific priority outcomes. Table 1 provides a light description for each sample mechanism.

Table 1: Sample Utility “Targeted” Alternative Ratemaking Plan

Sample Ratemaking Mechanisms	Discussion
PIMs/SSMs for 1-2 Priority Outcomes	The utility proposes two reward-only PIMs focused on DER Utilization & Effectiveness and Cost Control. The PIMs would rely upon metrics tracking (a) MWh consumed and discharged from select DER technologies and (b) cost savings from non-wires solutions, respectively. Both PIMs would be structured as SSMs, with the utility able to earn up to 40% of calculated net benefits. Total earnings from both PIMs would be capped at 100 basis points.
Capitalization of Select Program Costs	The utility proposes to include a portion of expenses associated with pre-paid and pay-as-you go cloud computing service contracts in rate base.

⁴⁵ Nor, in RMI and RAP’s view, does it necessarily preclude the PUCN from requiring via its regulations pursuant to SB 300 that electric utilities file alternative ratemaking plans.

<p>Bring-Your-Own-Device (BYOD) Pilot Program</p>	<p>The utility proposes a pilot BYOD program initially focused on encouraging customer-sited DER technologies – including battery storage, heat pumps, electric water heaters, and EVs – to enhance system flexibility. If approved, the program would offer customers an up-front incentive to install DERs and make them available for the utility to manage peak demand. The utility proposes to provide an additional incentive to LMI customers that enroll in the program. If successful, the utility proposes to expand the pilot.</p>
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Under this sample plan, utility revenue continues to be determined by a COS formula similar to that under the Business-as-Usual pathway – with the incorporation of revenue from PIMs. The simplified formula below implies that PIM rewards or penalties are calculated after earnings sharing is applied.

$$Revenue = Operating Costs + (Capital Costs * Rate of Return) \pm Earnings Sharing \pm Performance Revenue$$

While Nevada is unique from other jurisdictions, Michigan’s experience with performance-based regulation (PBR) may offer a helpful example of what “targeted” alternative ratemaking could look like. The Michigan PSC has adopted multiple performance-based or other regulatory mechanisms to address specific challenges posed by traditional regulation, including the SSMs for energy efficiency described above. More recently, the PSC took steps to further consolidate and broaden the application of PBR in the state, directing DTE Energy to propose PBR mechanisms related to multiple performance areas in its next Distribution System Plan, including consideration for safety, customer service (end-use customers, builders, interconnecting generators, etc.), timeliness and quality, reliability and resiliency, long-term costs, and innovation.⁴⁶ The PSC’s order included a number of suggested elements for DTE to consider in developing its PBR proposals, including weighing the pros and cons of a comprehensive PBR system.⁴⁷

Pathway 3: Broad Alternative Ratemaking

In contrast to a targeted plan, a “broad” utility alternative ratemaking proposal could include multiple mechanisms that seek to fundamentally change the way that the utility earns revenues. A broad plan, in other words, would seek to better align utility ratemaking with a holistic set of priority outcomes. The sample “broad” alternative ratemaking pathway builds upon the “targeted” pathway with the introduction of a five-year MYRP, a broader set of PIMs/SSMs, replacement of the LRAM with full decoupling, totex accounting, and new enhanced TOU rates to encourage off-peak EV charging. Table 1 provides a light description for each sample mechanism.

⁴⁶ Order, Michigan PSC Case No. U-20561, p.106-107, (May 2020) <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t000000Bxp59AAD>.

⁴⁷ *Id.*

Table 2: Sample Utility “Broad” Alternative Ratemaking Plan

Sample Ratemaking Mechanisms	Discussion
5-year MYRP with Revenue Cap	The utility proposes to extend the rate case cycle from three to five years. Allowed revenue would be determined according to a formula that includes variables for price inflation, productivity growth, exogenous factors, customer growth, and a consumer dividend. The existing ESM would be adapted to be consistent with the MYRP framework. A comprehensive set of tracking metrics would remain in place for the duration of the MYRP.
PIMs/SSMs for 3-5 Outcomes	The utility proposes four PIMs focused on DER Utilization & Effectiveness, Cost Control, GHG Reduction, and Affordability. The PIMs would rely upon metrics tracking (a) MWh consumed and discharged from select DER technologies, (b) cost savings from NWAs, (c) tons of CO ₂ /MWh from utility-owned generation assets, PPAs, and purchased power, and (d) the ratio of essential utility services to non-disposable household income, respectively.
Decoupling	It is determined that decoupling would more effectively mitigate the throughput incentive than the current LRAM, while continuing to insulate the utility from fluctuations in sales due to weather and customer demand. ⁴⁸
Totex Accounting	The utility proposes to apply totex accounting under which the same percentage of utility spending is capitalized irrespective of whether it is capex or opex. The utility argues that this mechanism would complement the MYRP with revenue cap approach and encourage investments in the most cost-effective solutions – including for non-utility services that can help reduce project costs. The capitalization rate would be determined at the start of the MYRP period and adjusted annually.
Enhanced TOU Rates	The utility proposes a new tariff designed to more effectively encourage customer participation in off-peak charging.

Under this sample plan, utility revenue is determined by a formula based upon utility attainment of target revenue and performance rewards/penalties – rather than on an authorized rate of return (ROR) applied to capital costs in rate base.

$$Revenue = Target\ Revenue \pm Performance\ Revenue \pm Earnings\ Sharing$$

In the United States, while multiple jurisdictions have implemented some of the mechanisms included in the “broad” pathway, few states have implemented a broad approach. Hawaii’s ongoing experience with PBR, however, offers a glimpse into how alternative ratemaking could be pursued more robustly. In May 2019, the Hawaii PUC issued an order to develop a new regulatory framework that applies three guiding principles, three regulatory goals, twelve priority outcomes and a portfolio of PBR tools to “align the Hawaiian Electric Companies’ business interests with Hawaii’s clean energy goals and customer preferences.”⁴⁹ The Hawaii PUC indicated that under this new PBR framework, utility revenue will be: (a) based on a combination

⁴⁸ NV Energy stated its opposition to decoupling in its August 21 comments. RMI and RAP nonetheless include decoupling in the sample utility alternative ratemaking proposal here to promote discussion about how decoupling could potentially complement other alternative ratemaking mechanisms.

⁴⁹ *Summary of Phase 1 Decision and Order Establishing a PBR Framework*, Hawaii PUC Docket No. 2018-0088, https://puc.hawaii.gov/wp-content/uploads/2019/05/PBR-Phase-1-DO-3-Page-Summary.05-23-2019.Final_.pdf.

of target revenues, (b) designed to encourage cost control in a way that produced savings for customers, and (c) designed to provide the utility with the opportunity to earn additional performance revenues for achieving highly valued objectives. Consistent with this view, the Hawaii PUC prioritized the adoption of a five-year MYRP (adjusted annually according to a formula accounting for inflation, utility productivity, and customer benefits), three to six new PIMs (including for Interconnection Experience, Customer Engagement, and DER Asset Effectiveness), decoupling, an ESM, and continued allowance for the utility to propose interim cost recovery for exceptional investments.⁵⁰

Alternative Ratemaking Pathways in Practice

Workshop 3 will challenge stakeholders to identify and examine specific alternative ratemaking plans that appear most compelling for application in Nevada. In preparation for this discussion, RMI and RAP encourage stakeholders to familiarize themselves with the pathways and sample plans described above, and to consider what an ideal plan would look like from their perspective. Dialogue around stakeholder alternative ratemaking plan preferences will inform discussion of the specifications that should be included in the PUCN's alternative ratemaking regulations. Specific questions for stakeholders to consider in advance of Workshop 3 are provided in Section V: Next Steps.

⁵⁰ *Id.*

SECTION IV: WORKING GOALS AND OUTCOMES FOR STAKEHOLDER PROCESS

This section discusses stakeholder comments and suggested refinements to the working goals and outcomes discussed during Workshops 1 and 2. Informed by these comments, RAP and RMI, in coordination with the PUCN, propose an updated set of four goals and 11 outcomes to guide the remainder of this stakeholder process.⁵¹

Table 3 provides a brief overview of the updated working goals and outcomes. Text Box 1 details additions, consolidations, and removals made to the prior working goals and outcomes to arrive at the updated set. Updated descriptions and potential metrics are available for reference in Appendix A.

Table 3: Working Goals and Outcomes for Nevada Alternative Ratemaking

Goal	Outcome(s)
Promote Just and Reasonable Rates	<ul style="list-style-type: none"> • <i>Affordability</i> • <i>Regulatory Efficiency</i>
Enrich Customer Experience	<ul style="list-style-type: none"> • <i>Customer Satisfaction and Engagement</i> • <i>Reliability and Resiliency</i>
Enhance Utility Performance and Operations	<ul style="list-style-type: none"> • <i>DER Utilization & Effectiveness</i> • <i>Cost Control</i> • <i>System Flexibility</i> • <i>Safety</i>
Advance State Environmental Policy	<ul style="list-style-type: none"> • <i>GHG Reduction</i> • <i>Energy Efficiency and Clean Energy Deployment</i> • <i>EV Infrastructure Deployment</i>

While stakeholders may continue to suggest additional outcomes for attention and refinements to this working set, the Presiding Officer believes it is important to advance the discussion in this proceeding by establishing a working set of goals and outcomes based on stakeholder input to this point. Accordingly, the Presiding Officer has released a procedural order contemporaneously with this concept paper, which states that the working set of goals and outcomes set forth herein are supported by the Presiding Officer until revised in the future.⁵² As the procedural order indicates, these goals and outcomes represent key focus areas for utility system performance that need to either be maintained or improved upon, and will serve as an organizing framework for the remainder of the stakeholder process. They will help inform the PUCN’s development of regulations in this rulemaking and provide a common structure against which stakeholders can continue to assess current regulations and consider possible reforms. The Presiding Officer may decide, at a later stage of this process, to adopt a revised set of goals and outcomes.

⁵¹ For reference, there were previously five working goals and 14 working outcomes

⁵² As explained more fully in the procedural order, the PUCN anticipates soliciting additional comments from stakeholders regarding potential refinements to the Reliability and Resiliency outcome, given recent resource adequacy issues that have arisen across the West.

Text Box 1: Updated Goals and Outcomes – What Changed?

ADDITIONS

- **System Flexibility.** This outcome has been added to the “Enhance Utility Performance and Operations” goal.

CONSOLIDATIONS AND REVISIONS

- **Just and Reasonable Rates.** This outcome has been switched with the “Promote Affordability” goal category to better capture both customer bill impacts and impacts to utility revenues. To ensure customer impacts are reflected, “Affordability” has been added back as an outcome.
- **Customer Satisfaction.** This outcome has been combined with the “Customer Choice and Engagement” outcome.
- **Resiliency.** This outcome has been combined with the “Reliability” outcome. Stakeholders have provided minimal commentary around resiliency in this proceeding, and we believe this topic may be best considered in conjunction with reliability.
- **Administrative Costs.** This outcome has been renamed to “Regulatory Efficiency” and has been moved into the “Promote Affordability” goal. The “Support Regulatory Efficiency” goal has been incorporated into this outcome.
- **EV Adoption.** This outcome has been reworded as “EV Infrastructure Deployment,” in response to stakeholder comments that because the utility has limited direct influence over EV sales, this outcome should instead focus on charging infrastructure deployment, EV charger usage, and equitable access to charging services.

REMOVALS

- **Consideration for LMI Customers.** Stakeholders, including Staff, have emphasized that impacts to LMI customers should be considered for each goal and outcome. The Presiding Officer has been persuaded by this logic and therefore plans to include consideration for LMI customers in any adopted evaluation criteria for alternative ratemaking that result from this proceeding. In other words, LMI customer considerations have been elevated to a status of increased importance for alternative ratemaking. Metrics associated with this former outcome have been copied into the “Affordability” outcome to ensure continued attention to LMI customers during the stakeholder process. Stakeholders are invited to propose metrics related to LMI customers for other outcomes as well.
- **Privacy and Cybersecurity.** Both topics addressed in this outcome are important areas for utility performance. However, stakeholders provided limited commentary on the applicability of alternative ratemaking for achievement of these topics. The lack of identified alternative ratemaking mechanisms for these topics may suggest they are better suited as evaluation criteria than priority outcomes for purposes of PUCN regulations.

SECTION V: NEXT STEPS

This next phase of the stakeholder process seeks to transition the discussion from conceptual to practical. Accordingly, Workshop 3 – scheduled for September 28-29 – will challenge stakeholders to identify and examine specific alternative ratemaking structures that appear most compelling for application in Nevada (e.g., based on stakeholder interest, anticipated benefits, identified deficiencies in the current system, etc.). This discussion is not yet intended to select alternative ratemaking mechanisms for Nevada. Rather, it will provide a foundation for the anticipated discussion in Workshop 4 of eligible alternative ratemaking mechanisms and procedural or substantive requirements that may be proposed in regulations to ensure that the PUCN makes informed decisions on any future utility alternative ratemaking proposals. In other words, we are asking stakeholders to identify and consider specific alternative ratemaking mechanisms of interest in order to (a) encourage innovative thinking about what is possible for Nevada, and (b) generate ideas against which potential alternative ratemaking regulations can be considered and tested.

As noted in Section I, the PUCN is required to adopt regulations in this docket. Section 16 of SB 300, codified as NRS 704.762, describes the items that must be addressed in adopted regulations.⁵³

- Establish the alternative ratemaking mechanisms that may be included in utility plans
- Set any limitations on alternative rate-making mechanisms that can be proposed
- Provide the information that must be included in an alternative ratemaking plan
- Detail the circumstances under which an electric utility with an approved alternative ratemaking plan is required to file a general rate application pursuant to NRS 704.110
- Provide a process to educate electric utility customers on available alternative ratemaking mechanisms that may be included in an alternative ratemaking plan
- Establish requirements for recordkeeping and submittal for an electric utility with an alternative ratemaking plan
- Establish criteria for the evaluation of an alternative ratemaking plan

Keeping these items in mind, we encourage stakeholders to consider the following questions in advance of Workshop 3:

1. What specific alternative ratemaking mechanisms, or combination of mechanisms, are you most interested in exploring further for application in Nevada?
2. Which of the working goals and outcomes do these mechanisms of interest target?
3. Why, in your view, are the mechanisms of interest needed or desirable?
4. What design details would need to be considered to ensure that these mechanisms achieve their intended results (e.g., targeted performance, incentive structures, metrics, methodologies, etc.)?

⁵³ For brevity, we have lightly paraphrased these items. For the original language, see SB 300.

While Workshop 3 will begin the discussion of key elements to be included in the PUCN's forthcoming regulations on alternative ratemaking, Concept Paper 4 and the associated facilitated workshop will provide additional, more pointed opportunities for stakeholders to reflect and provide input on the metrics, minimum requirements, and evaluation criteria that the PUCN should include in its alternative ratemaking regulations.

APPENDIX A – WORKING GOALS AND OUTCOMES

The table below includes working descriptions and possible metrics for the goals and outcomes that will guide the remainder of this stakeholder process. Blue text in the “Possible Metrics” column indicates that a stakeholder proposed new metrics or suggested refinements to existing metrics in their August 21 comments.

Table 1: Updated Working Goals and Outcomes Version

Outcome	Description	Possible Metrics ⁵⁴
Goal 1: Promote Just and Reasonable Rates		
<i>Affordability</i>	This outcome addresses the ability of customers to afford electric service, with consideration for rate levels and stability, non-discriminatory treatment across customer classes, and the extent to which rates reflect the utility’s cost of service.	<ul style="list-style-type: none"> • Cost of service <i>and revenue</i> by customer class • Actual, experienced return on equity • Utility rates compared to other similarly situated utilities (similar weather, number of customers, etc.) • Share of customer income spent on electricity <i>by income level</i> • Participation in low-income customer programs, including Low Income Solar Energy Program, energy efficiency and conservation programs, and expanded solar access. • <i>Corporate debt ratings and other indices of cost of capital</i> • <i>Number of disconnections for non-payment</i> • <i>Bill impacts of energy efficiency and DER programs for participants and non-participants</i> • <i>Amount of bad debt</i> • <i>Other direct indicators of the ability to pay for adequate electricity supply</i>
<i>Regulatory Efficiency</i>	This outcome considers administrative burden for the PUCN, utilities, and other stakeholder groups, including the frequency of rate cases	<ul style="list-style-type: none"> • Rate case frequency <ul style="list-style-type: none"> ○ <i>Metrics should capture if regulatory procedures are able to achieve their objectives, rather than rate case frequency directly</i> • Frequency of stipulated cases

⁵⁴ AARP, Gaming Group, Conservation Advocates, AEE, and ChargePoint suggested additional metrics. AARP recommended removing “adoption of diverse customer tariff options,” “non-standard rate participation,” and “rate transparency to customers” as possible metrics in the new “Customer Satisfaction and Engagement” outcome. AARP also recommended removing “non-wires alternative utilization” and “corporate debt ratings and other utility financial metrics” as possible metrics in the “Cost Control” outcome.

Outcome	Description	Possible Metrics ⁵⁴
	and quantity of utility filing requirements.	<ul style="list-style-type: none"> • <i>Efficient conveyance of COS reductions</i>
Goal 2: Enrich Customer Experience		
<i>Customer Satisfaction and Engagement</i>	This outcome considers the quality of utility customer service as perceived by customers, the diversity and quality of utility offerings to customers, and the degree of customer engagement in utility programs.	<ul style="list-style-type: none"> • Quantity of customer complaints • Customer satisfaction surveys • Adoption of diverse customer tariff options. • Non-standard rate participation • Rate transparency to customers • <i>Adequacy of supply, especially during peak usage</i>
<i>Reliability and Resiliency</i>	This outcome reflects the reliability and resiliency of the utility's system, including its ability to consistently provide adequate service to customers and its ability to prepare and plan for, recover from, or more successfully adapt to actual or potential adverse events.	<ul style="list-style-type: none"> • SAIFI • SAIDI • CAIDI • Quantity of distributed resources available to respond to resilience events • Time to recover from service disruptions due to resiliency events • Compliance with Natural Disaster Protection Plan (NDPP) mandates • <i>Greatest contributors to outages</i>
Goal 3: Enhance Utility Performance and Operations		
<i>DER Utilization & Effectiveness</i>	This outcome focuses on the pace of DER integration within the utility's service territory and maximizing associated benefits (e.g., system flexibility, load following, demand-side management and customer choice). DERs could include distributed generation and storage, EVs and/or EV charging infrastructure.	<ul style="list-style-type: none"> • DER utilization • Peak demand over time • DER interconnection time • <i>Metrics should gather data to optimize use of all available resources, regardless of ownership or scale</i> • <i>TOU rate utilization</i>
<i>Cost Control</i>	This outcome addresses the utility's efficiency in addressing its costs, including operating expenses and grid investments.	<ul style="list-style-type: none"> • Optimized use of transmission assets • Optimized use of energy resources • Infrastructure expenditure deferrals • Non-wires alternatives utilization • Corporate debt ratings and other utility financial metrics

Outcome	Description	Possible Metrics ⁵⁴
<i>System Flexibility</i>	This outcome addresses the grid flexibility needed to integrate higher penetrations of solar, wind, storage and DERs, with a focus on efficient balancing of supply and demand	<ul style="list-style-type: none"> • Load factor • Ramp rates • Renewable energy curtailment
<i>Safety</i>	This outcome considers the health and safety of utility employees and contractors, and the impacts of utility property and activities on the health and safety of the public.	<ul style="list-style-type: none"> • OSHA recordable incidents • OSHA requirements • <i>Average time to respond to customer safety call</i>
Goal 4: Advance State Environmental Policy		
<i>GHG Reduction</i>	This outcome considers GHG emission reductions within the utility's service area, and the expansion of innovative customer products that support GHG reductions.	<ul style="list-style-type: none"> • CO₂ emissions from utility-owned generation assets, PPAs and purchased power (e.g., tons of CO₂/MW or MWh) • Carbon intensity (emissions per MWh)
<i>Energy Efficiency and Clean Energy Deployment</i>	This outcome assesses the utility's progress toward state environmental policy goals, with an emphasis on cost-effective achievement and optimization of utility-owned and third-party resources.	<ul style="list-style-type: none"> • New renewable energy deployed on mine land and brownfields • Renewable energy levels meeting or exceeding state goals • Energy efficiency levels meeting or exceeding state goals • Demand response levels meeting or exceeding state goals
<i>EV Infrastructure Deployment</i>	This outcome considers the pace and competitiveness of EV deployment within a utility's service territory – with a focus on balancing utility and public benefits.	<ul style="list-style-type: none"> • EV charging increases beyond baseline • Incremental EV sales within a utility's service territory • Share of smart and networked EV charging infrastructure within utility service territory • <i>EV charger deployment</i> • <i>EV charger usage</i> • <i>Equitable access to charging services</i> • <i>EV load moved to off peak</i> • <i>Number of new unique site hosts installing stations through the utility's incentive programs</i>

ATTACHMENT 1 – REGULATORY ASSESSMENT SUMMARY NOTES

This Attachment includes summaries of stakeholder regulatory assessments for each outcome discussed in Concept Paper 3. Comments in the tables below are largely direct quotes from stakeholders, with light edits where appropriate for clarity and readability. For reference, pluses (+) in the tables below indicate the stakeholder found that the mechanism incents achievement of the associated outcome. Zeroes (0) indicate that the stakeholder found the mechanism to have no impact on achievement of that outcome. Minuses (-) indicate that the stakeholder found that the mechanism disincentivizes achievement of that outcome. Not applicable (NA) indicates that the stakeholder did not provide a score for that outcome.

Table 1: Five Stakeholders Evaluated EV Adoption

	Staff	NV Energy	AEE	ChargePoint	Conservation Advocates
General Rate Case using Historical Test Year	0	NA	0	NA	0
Fuel and Purchase Power Cost Recovery	0	NA	0	NA	0
Lost Revenue Adjustment Mechanism	0	NA	0	NA	0
Special Tariff/Energy Supply Agreements	0	NA	+	NA	0
Earnings Sharing Mechanism	0	NA	0	NA	0
Integrated Resource Plan	+	NA	0	NA	0
Clean Energy Incentive Programs	+	+	0/+	+	+
Renewable Portfolio Standard	+	NA	0	NA	0
Regulatory Assets/Regulatory Liabilities	0	NA	0	NA	0
Time-of-Use Rates	+	+	0/+	+	+
Overall Assessment	NA	+	0	NA	0

Table 1a: Staff Views on Existing Mechanisms in Relation to EV Adoption

Mechanism	Comments
Integrated Resource Plan (IRP)	Could include a pilot program and should include research on charging station locations as part of the Distributed Resource Plan (DRP).
Clean Energy Incentive Programs	Most of these are statutory and are intended to advance state environmental policy.

Renewable Portfolio Standard	This is a statutory requirement intended to advance state environmental policy.
TOU Rates	EV rates are a TOU rider. More data from NVE is needed regarding the efficacy of their TOU rate programs and whether modifications to customer behavior are occurring.

Table 1b: NV Energy Views on Existing Mechanisms in Relation to EV Adoption

Mechanism	Comments
Clean Energy Incentive Programs	Electric Vehicle Infrastructure Demonstration (EVID) programs, which include education and outreach, technical advisory services and incentives for EVs and associated infrastructure, support all Nevada residents as they purchase EVs. Additionally, energy storage incentives support the adoption of high-power EV charging infrastructure. Note that EVID is a finite pilot program that does not contemplate the role of the utility in electrification of the transportation sector.
TOU Rates	TOUs give customers the flexibility to manage their EV charging in the most cost-effective way possible. Currently low off-peak rates incent charging during excess capacity in the evenings. Future rates may need to respond to excess solar generation in the afternoons.
Electric Vehicle Commercial Charging Rider	This incents EV and fast charging infrastructure adoption by providing reduced demand charges for up to 10 years, though a long-term solution needs to be evaluated.
Electric School Bus Incentive Program	This program directly supports purchasing EV buses, though the program has limited funding and will not address the needs of all school transit.

Table 1c: AEE Views on Existing Mechanisms in Relation to EV Adoption

Mechanism	Comments
General Rate Case using Historical Test Year (with certification and Expected Changes in Circumstances [ECIC])	Rate case is the mechanism through which utilities should propose EV programs. These should: <ul style="list-style-type: none"> include elements of rate design to encourage beneficial charging patterns and improve economics of charging infrastructure; charging infrastructure support to encourage collaboration between third parties and utilities to accelerate competitive charging infrastructure while ensuring equitable access; outreach and education to increase use and improve performance of programs; smart charging program to accentuate outcomes of beneficial charging patterns; and Vehicle-Grid Integration (VGI) to leverage grid services that charging can provide.
Lost Revenue Adjustment Mechanism (LRAM)	Increased vehicle electrification is likely to increase utility revenue while putting downward pressure on rates — if smart charging is used.
Special Tariff/Energy Supply Agreements	Special tariffs can be and are being designed to maximize grid and customer benefits of DC fast chargers, particularly those with low utilization.

Integrated Resource Plan	The IRP includes load forecasts that include increased electricity demand related to EV adoption, but does not incent EV adoption, infrastructure deployment or managed charging. As EVs increasingly impact load and become a grid resource (storage or demand response), the IRP and three-year action plan will play larger role in facilitating EV grid integration. In IRP, utilities should include (1) reasonable assumptions about EV market growth and its impact on load; and (2) measures designed to reduce and optimize load growth. Included in IRP modeling should be rate design and smart charging programs that improve beneficial charging patterns and reduce needs for additional capacity.
Clean Energy Incentive Programs	EVID program doesn't incent EV adoption directly; infrastructure deployment is related to a reduction in consumer "range anxiety." Consumer surveys show availability of charging infrastructure influences consumer purchasing decisions. EVID is a small demonstration program, ending soon. New larger program is needed to incent vehicle purchases and charging infrastructure deployment.
Regulatory Assets/Regulatory Liabilities	Ready-made infrastructure investments can be treated as a regulatory asset until they're considered in next rate case. For example, the Michigan PSC authorizes utilities to do so to defray costs of customer-side equipment and encourage infrastructure deployment by third parties.
TOU Rates	The average person is not incented to drive electric because of TOU rates (even though they can help lower fuel costs even further, increasing economic advantage of EVs). TOU rates can help manage new EV load, but is not an incentive at this time. It is important to note that well-designed TOU rates will be critical to cost-effectively integrating EVs into the electric grid and maximizing benefits to all ratepayers.

Table 1d: ChargePoint Views on Existing Mechanisms in Relation to EV Adoption

Mechanism	Comments
Clean Energy Incentive Programs	To provide for customer choice and competition in the EV charging market, there needs to be ongoing support for a diversity of competitive market offerings, allowing site hosts to have a choice in charging solutions from multiple, qualified vendors. ChargePoint encourages continued and enhanced marketing and outreach efforts for the EVID programs. To the extent that additional EV incentives are designed and approved: (1) customer input should be solicited to ensure program goals meet community needs, and (2) approved program details should be provided to all customers, current and new.
TOU Rates	TOU rates incent customer behavior for certain activities such as EV charging or usage patterns via price signals. Electric utilities are in a unique position to encourage EVs to charge in a manner that minimizes costs to the grid while providing customers with cost savings, which helps drive EV adoption. Utility rate design is an effective tool for incentivizing off-peak EV charging. The PUCN should consider the full range of EV load management options at its disposal to ensure that the increased adoption of EVs leads to beneficial load growth across the grid. Incentivizing charging behavior to take place during off-peak periods can lead to increased utilization of utility assets and avoid the need for additional capacity and grid infrastructure.

	<p>A variety of options exist to achieve cost savings and system benefits from EV load, including passive managed charging (behavioral load control) and active managed charging. Both help lower costs, support the electric system, and achieve policy goals. Supports NV Energy's Electric Vehicle TOU Rate.</p> <p>TOU rates do not shift costs to other ratepayers. They can recover the same costs as flat rates, but also provide price signals designed to affect customer behavior. TOU rates that target EV charging can reap substantial economic and system benefits with much less customer education than might be required for general residential TOU rates.</p>
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Table 1e: Conservation Advocates Views on Existing Mechanisms in Relation to EV Adoption

Mechanism	Comments
Special Tariff/Energy Supply Agreements	Have the potential to open the door to creative programs integrating EV fleets. The role of the utility in providing charging infrastructure to customers and potential for “fixed-cost” tariffs warrant additional attention.
Clean Energy Incentive Programs	Design and define when the market is mature to replace programming.
TOU Rates	Encourages EV owner behavior that supports overall system. TOU rates provide potential for EVs to contribute to grid services.
Application, Interconnection, Service Connections, Meters, Customer Facilities	Have the potential to impact interconnection of EV charging infrastructure. These mechanisms should be monitored for efficacy and impact.

Table 2: Three Stakeholders Evaluated Just and Reasonable Rates

	Staff	NV Energy	Bureau of Consumer Protection (BCP)
General Rate Case using Historical Test Year	+	+	+
Fuel and Purchase Power Cost Recovery	0	+	+
Lost Revenue Adjustment Mechanism	-/0	+	+
Special Tariff/Energy Supply Agreements	-/+	+	+
Earnings Sharing Mechanism	+	+	+
Integrated Resource Plan	+	+	+
Clean Energy Incentive Programs	0/+	NA	+
Renewable Portfolio Standard	+	NA	+
Regulatory Assets/Regulatory Liabilities	0	NA	+
Time-of-Use Rates	+	+	+
Overall Assessment	NA	+	NA

Table 2a: Staff Views on Existing Mechanisms in Relation to Just and Reasonable Rates

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The current three-year GRC cycle promotes rate stability and affordability by allowing for incremental adjustments to rates. The rate case cycle should not be extended to 4-5 years, because while this may make changes to rates less frequent, changes may be more severe. Extended rate case cycles could delay the PUCN’s ability to adjust rates that are no longer just and reasonable.
Fuel and Purchase Power Recovery	Fuel and Purchase Power Recovery does not promote or detract from affordability because it is simply a pass-through of cost. Quarterly rate adjustments also require additional administrative oversight every quarter, in addition to annual deferred energy filings by the electric utilities.
Lost Revenue Adjustment Mechanism	The LRAM creates negative customer perceptions. If customers conserve, then a new rate is implemented to make up for the conservation. In other words: “the more I save, the more you charge me.” There is currently no “lost revenue” collected for saving energy. The LRAM provides that if the utility exceeds the authorized rate of return (ROR), then they do not need an incentive to offer demand-side management (DSM) programs. Additionally, the LRAM can be contentious and difficult to administer. The Energy Efficiency Implementation rate offers a “safety net” for the utility to continue to offer DSM programs to customers that help those who use the programs to save energy and money.

Special Tariff/Energy Supply Agreements	Special Tariff/Energy Supply Agreements both incent and disincentivize just and reasonable rates. Such agreements may promote rate stability for certain customers or customer classes, but may come at the expense of other customers or customer classes. The PUCN must consider if agreements are non-discriminatory within and between customer classes.
Earnings Sharing Mechanism	The ESM benefits ratepayers to the extent that the utility earns more than its authorized rate of return. Because of its asymmetrical design, the ESM may not be fair to the utility if issues beyond its control occur.
Integrated Resource Plan	The IRP helps the PUCN determine the least-cost option between resources, given statutory obligations and goals. Staff must continue to monitor transmission and distribution infrastructure investments to ensure that the utility isn't overbuilding too quickly.
Clean Energy Incentive Programs	Many Clean Energy Incentive Programs are statutory and implemented with cost guidelines. Programs tend to contribute to affordability only for targeted customer classes.
Renewable Portfolio Standard	The RPS contributes to affordability as renewables continue to become cheaper.
Regulatory Assets/Liabilities	The PUCN may consider a threshold and whether there is asymmetry in how Regulatory Assets/Liabilities are requested and granted. The utility rarely asks for regulatory liabilities.
TOU Rates	TOU rates can promote affordability for customers able to take advantage of them.

Table 2b: NV Energy Views on Existing Mechanisms In Relation to Just & Reasonable Rates

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The GRC process ensures that the utility recovers reasonable and prudent costs for providing service. A key aspect of just and reasonable rates include avoidance of cross-customer class subsidization. The marginal cost study appropriately allocates costs based on cost causation. However, the time between rate cases should be extended, as this would promote rate stability and incentivize efficient utility operation.
Fuel and Purchase Power Cost Recovery	Fuel and Purchase Power Cost Recovery is working well. The Base Tariff Energy Rate reimburses the company dollar-for-dollar for purchased fuel and electricity. These are pass-through costs with no associated profit for the utility.
Lost Revenue Adjustment Mechanism	The LRAM promotes affordability by returning Energy Efficiency Implementation Rate (EEIR) amounts if the utility earns above the approved ROR. The EEIR supports implementation of energy efficiency by removing disincentives. While some have called for decoupling in the name of removing disincentives, this would return Nevada to a more time consuming, complicated and contentious rate environment.
Special Tariff/Energy Supply Agreements	The recently approved Market Price Energy (MPE) and Large Customer Market Price Energy (LCMPE) tariffs provide additional opportunities for the utility to meet customer needs. Further refinement of offerings will provide additional benefit to all customers.

Earnings Sharing Mechanism	Earnings sharing is unnecessary for the PUCN to meet its obligation to establish just and reasonable rates; the utility opposes earning sharing under the current environment. However, if triennial rate filings no longer exist, the utility may support earnings sharing — depending on the details. NVE opposes earnings sharing mechanisms that are asymmetrical. Allowed return on equity (ROE) and deadband around ROE will be important considerations in the future.
Integrated Resource Plan	The existing IRP process works well. The IRP represents a comprehensive foundation upon which safe, reliable, reasonably priced electric service is delivered, using prudent and practical long-term planning that balances multiple objectives. Transmission and distribution planning has been modified to incorporate non-wires alternative evaluation, and the utility performs Present Worth Revenue Requirements Analysis (PWRR) to ensure least-cost solution.
TOU Rates	There are currently a wide variety of rate structures available to customers that support EVs and distributed energy resources (DERs). Increasing the number of options can be cumbersome to administer and create confusion for customers.

Table 2c: BCP Views on Existing Mechanisms In Relation to Just & Reasonable Rates⁵⁵

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The three-year GRC cycle ensures that utility earnings are reviewed periodically. The current cost-based structure ensures that the utility is receiving a fair ROR and that ratepayers are paying cost-based rates.
Fuel and Purchase Power Cost Recovery	The Fuel and Purchase Power Cost Recovery ensures cost recovery of utility fuel and purchase power agreements.
Lost Revenue Adjustment Mechanism	The LRAM reimburses the utility for lost revenue from conservation programs. It is a spending reimbursement program; it is not related to lost revenue.
Special Tariff/Energy Supply Agreements	Special tariffs for net metering, TOU, and EV charging appear to encourage clean energy development. However, many tariffs subsidize the upper middle class at the expense of the lower middle class.
Earnings Sharing Mechanism	The mechanism allows ratepayers to share in overearnings.
Integrated Resource Plan	This process — which the PUCN has relied upon for 30 years — ensures utility cost recovery of large capital projects and allows intervenors to review and comment on plan. The utility is required by law to inform the BCP and PUCN Staff of its plan prior to filing. The utility should allow more public participation prior to filing the plan to ensure the plan meets the needs of the state and ratepayers.
Clean Energy Incentive Programs	These programs appear to achieve their targeted goals. Notable issues for attention are: (1) Except for the low-income solar program, these programs

⁵⁵ BCP provided identical responses for three outcomes in its regulatory assessment: just and reasonable rates, customer satisfaction, and consideration for low- and moderate-income customers.

	subsidize upper middle class at expense of lower middle class. (2) Energy storage programs should be controlled by utility to ensure they're not detrimental to grid. (3) The BCP opposes certain incentives for electric car infrastructure, specifically noting that NVE should not receive any incentives for activities that would create subsidies and imbalances in the competitive industry for EV charging. Any EV incentives over and above what is approved in current legislation should be considered carefully.
Renewable Portfolio Standard	Based on NVE's recent filings in their IRP, the utility has achieved its goals. BCP opposes duplicative incentives for renewable energy.
Regulatory Assets/Regulatory Liabilities	These mechanisms are already used. Prudence should be exercised before initiating these mechanisms. If not done properly, the utility may bill ratepayer for charges they were not responsible for (e.g., they were not a customer when costs were incurred). If there are several of these mechanisms, it can create confusion when determining utilities revenue requirement.
TOU Rates	TOU rates help incentivize different patterns of electricity use. BCP opposes any mandatory TOU rates.

Table 3: Three Stakeholders Assessed Energy Efficiency & Clean Energy Deployment

	Staff	AEE	Conservation Advocates
General Rate Case using Historical Test year	0	-	-
Fuel and Purchase Power Cost Recovery	0	0	-
Lost Revenue Adjustment Mechanism	+	0	0
Special Tariff/Energy Supply Agreements	0	0	0
Earnings Sharing Mechanism	0	0	0
Integrated Resource Plan	+	-/+	+
Clean Energy Incentive Programs	+	0	+
Renewable Portfolio Standard	+	0/+	+
Regulatory Assets/Regulatory Liabilities	0	+	0
Time-of-Use Rates	+	+	+
Overall Assessment	NA	-/0	-

Table 3a: Staff Views on Existing Mechanisms In Relation to Energy Efficiency and Clean Energy Deployment

Mechanism	Comments
Lost Revenue Adjustment Mechanism	From a utility’s perspective, the LRAM takes away the financial disincentive of having EE programs, but does not provide additional incentives to have more programs to reach a particular level of savings.
Integrated Resource Plan	Approval of EE programs and the setting of associated goals occur in this filing. Preference can be given to utility-scale clean energy deployment and battery storage. DER optimization.
Renewable Portfolio Standard	The RPS is particularly supportive of clean energy deployment. While EE portfolio energy credits can still be used for the RPS, they are being phased out.
TOU Rates	TOU rates particularly support this outcome for commercial customers who are subject to mandatory TOU rates.

Table 3b: Conservation Advocates Views on Existing Mechanisms in Relation to Energy Efficiency and Clean Energy Deployment

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	Reliance upon rate base to determine utility earnings creates a disincentive for utility to utilize non-utility assets. Additionally, the utility may be reluctant to retire assets that are not fully depreciated in favor of options that have lower greenhouse gas (GHG) emissions. Alternative ratemaking mechanisms could mitigate or eliminate the capital bias and appropriately address treatment of stranded assets.
Fuel and Purchase Power Cost Recovery	The utility is indifferent to fuel costs, so renewables are not valued despite there being no fuel cost. Utility exposure to fuel cost risk or utility benefit from fuel use reduction require additional attention.
Lost Revenue Adjustment Mechanism	The LRAM fails to address all sales losses due to DERs. Mitigation or elimination of throughput incentive from all DERs can promote energy efficiency and clean energy deployment.
Special Tariff/Energy Supply Agreements	These mechanisms are supportive for this outcome, but could be expanded to potentially open the door to (a) creative programs integrating low-to-no-GHG DERs, and (b) encourage utility provision of DERs to customers. There may also be potential for fixed cost tariffs.
Earnings Sharing Mechanism	To the extent the utility utilizes non-fuel generation to become more cost-effective, the ESM will blunt realized earnings. A community-wide understanding of what constitutes overearning is needed.
Energy Supply Plan	Potential contribution of EE and clean energy to portfolio should be considered. The acquisition of EE as an energy resource requires additional attention.
Net Energy Metering (NEM)	NEM encourages clean energy deployment. The value of DER requires additional attention.
Expanded Solar Access	This mechanism enhances clean energy deployment.

Application, Interconnection, Service Connections, Meters, Customer Facilities	These mechanisms have the potential to impact interconnection of GHG-free DER. They should be monitored for efficacy and impact.
Incentives for Critical Facilities	There is potential for utility participation in GHG-free or low-DER at critical facilities such as hospitals. The role of the utility in providing GHG-free or low-GHG DER to customers needs further attention; there may be potential for “fixed cost” tariffs.
Authority to Implement Decoupling	Decoupling offers an opportunity to mitigate the throughput incentive. Design questions related to weather impacts, economic impacts, and other issues will require attention.

Table 4: Two Stakeholders Evaluated DER Utilization & Effectiveness

	AEE	Conservation Advocates
General Rate Case using Historical Test year	-	-
Fuel and Purchase Power Cost Recovery	0	-
Lost Revenue Adjustment Mechanism	0	+
Special Tariff/Energy Supply Agreements	+	0
Earnings Sharing Mechanism	0	0
Integrated Resource Plan	-	+
Clean Energy Incentive Programs	+	+
Renewable Portfolio Standard	+	0
Regulatory Assets/Regulatory Liabilities	+	0
Time-of-Use Rates	+	+
Overall Assessment	-	-

Table 4a: AEE Views on Existing Mechanisms in Relation to DER Utilization & Effectiveness

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	DERs generally lower load (especially if they can be used to supply capacity and other grid services), which means that fewer traditional assets may need to go into rate base. Thus, the treatment of capital expenditures in rate cases creates an incentive that must be mitigated in other ways to reach climate goal. There is an opportunity to align the types of investments made by utilities with a DER-intensive future (network investments will still be required to integrate DERs, though different from traditional).
Lost Revenue Adjustment Mechanism	A more holistic approach, like revenue decoupling, would better neutralize downward revenue impacts of energy efficiency and DERs.
Special Tariff/Energy Supply Agreements	Net metering (or other tariffs designed to recognize value of DERs) can incent development of DERs and can focus on improving DER integration for grid benefits.
Integrated Resource Plan	Traditional planning models don't often model DERs well, leading to under-utilization. Cost of service model has an overall bias towards utility-owned capital assets, which may also lead to under-representation of DERs in IRP action plan.
Clean Energy Incentive Programs	These programs directly incent installation of DERs. Most created by legislation and have capped funding; may need new incentives when funding is exhausted.
Renewable Portfolio Standard	Customer-maintained distributed PV systems that didn't receive incentives from Solar Energy Systems Incentive Program generate portfolio energy credits, which can be sold to utility for RPS compliance.
Regulatory Assets/Liabilities	To the extent that a goal can be more cost-effectively achieved as a service provided by DERs (such as demand response), the use of regulatory assets mitigates the disincentive for utilities to consider as equal to capital intensive solutions.
TOU Rates	Well-designed TOU rates should be positive for DER utilization and maximization of their benefits to customer and grid. More dynamic rates with timely price signals for live grid conditions can provide even more value to participant and non-participant customers.

Table 4b: Conservation Advocates Views on Existing Mechanisms in Relation to DER Utilization & Effectiveness

Mechanism	Comments
General Rate Case using Historical Test Year (With certification & ECIC)	Reliance on rate base to determine utility earnings creates a disincentive for utility to utilize non-utility assets. Mechanisms or practices that help to mitigate or eliminate capital bias should be considered.

Fuel and Purchase Power Cost Recovery	Utility is indifferent to fuel costs, so renewables are not valued despite no fuel costs. An issue for attention is utility exposure to fuel cost risk or utility benefit from fuel use reduction.
Lost Revenue Adjustment Mechanism	Fails to address sales losses due to DER. Mechanisms or practices that help to mitigate or eliminate throughput incentive for DER should be considered.
Special Tariff/Energy Supply Agreements	Does not currently support, but potentially could open the door to create programs integrating DER. Role of utility in providing DER to customers/potential for fixed cost tariffs should be considered.
Earnings Sharing Mechanism	To the extent the utility utilizes DER to become more cost-effective, ESM will blunt realized earnings. An issue for attention is community consensus for what constitutes overearning.
Integrated Resource Plan	DRP process within IRP will support additional DERs. Immaturity of DRP/capacity building for projection and all-resource optimization methods/modeling need attention.
Clean Energy Incentive Programs	These programs increase number of DERs for potential utilization. Need to design and define when the market is mature enough to replace programming.
Renewable Portfolio Standard	Because RPS is based upon sales and DERs reduce sales, there is no impact. A question is whether RPS should include DER energy that is utilized.
TOU Rates	Accurate price signals can illuminate value of DER to customers. Customer education and engagement strategies are needed.

Table 5: Two Stakeholders Evaluated Consideration for Low- and Moderate-income Customers

	Staff	BCP
General Rate Case using Historical Test year	-/+	+
Fuel and Purchase Power Cost Recovery	0	+
Lost Revenue Adjustment Mechanism	0	+
Special Tariff/Energy Supply Agreements	-	+
Earnings Sharing Mechanism	0	+
Integrated Resource Plan	+	+
Clean Energy Incentive Programs	+	+
Renewable Portfolio Standard	0	+
Regulatory Assets/Regulatory Liabilities	0	+
Time-of-Use Rates	0	+
Overall Assessment	NA	NA

Table 5a: Staff Views on Existing Mechanisms In Relation to Consideration of Low- and Moderate- Income Customers

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The current three-year cycle of GRCs allows for incremental adjustments to rates, which helps promote rate stability and allows the PUCN to review affordability frequently. There is, however, no low-income rate. Rate design often does not specifically consider low- and moderate- income customers during a GRC.
Special Tariff/Energy Supply Agreements	Special tariffs/agreements do not take into consideration impacts on rates paid by low-income customers.
Earnings Sharing Mechanism	Low-income customers are not treated differently from other customers.
Integrated Resource Plan	Low-income directed EE programs and potentially low-income community solar projects are included.
Clean Energy Incentive Programs	Specific low-income opportunities to participate. Non-participating customers may have rate increases as a result.

Table 5b: BCP Views on Existing Mechanisms In Relation to Consideration of Low- and Moderate- Income Customers

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The three-year GRC cycle ensures that utility earnings are reviewed periodically. The current cost-based structure ensures that the utility is receiving a fair ROR and that ratepayers are paying cost-based rates.
Fuel and Purchase Power Cost Recovery	The Fuel and Purchase Power Cost Recovery ensures cost recovery of utility fuel and purchase power agreements.
Lost Revenue Adjustment Mechanism	The LRAM reimburses the utility for lost revenue from conservation programs. It is a spending reimbursement program; it is not related to lost revenue.
Special Tariff/Energy Supply Agreements	Special tariffs for net metering, TOU and EV charging appear to encourage clean energy development. However, many tariffs subsidize the upper middle class at the expense of the lower middle class.
Earnings Sharing Mechanism	The mechanism allows ratepayers to share in overearnings.
Integrated Resource Plan	This process – which the PUCN has relied upon for 30 years – ensures utility cost recovery of large capital projects and allows intervenors to review and comment on plan. The utility is required by law to inform the BCP and PUCN Staff of its plan prior to filing. The utility should allow more public participation prior to filing the plan to ensure the plan meets needs of the state and ratepayers.

Clean Energy Incentive Programs	These programs appear to achieve their targeted goals. Notable issues for attention are: (1) Except for the low-income solar program, these programs subsidize upper middle class at expense of lower middle class. (2) Energy storage programs should be controlled by utility to ensure they're not detrimental to grid. (3) The BCP opposes certain incentives for electric car infrastructure.
Renewable Portfolio Standard	Based on NVE's recent filings in their IRP, the utility has achieved its goals. BCP opposes duplicative incentives for renewable energy.
Regulatory Assets/Regulatory Liabilities	These mechanisms are already used. Prudence should be exercised before initiating these mechanisms. If not done properly, the utility may bill ratepayer for charges they were not responsible for (e.g., they were not a customer when costs were incurred). If there are several of these mechanisms, it can create confusion when determining utilities revenue requirement
TOU Rates	TOU rates help incentivize different patterns of electricity use. BCP opposes any mandatory TOU rates.

Table 6: Two Stakeholders Evaluated GHG Reduction

	Staff	Conservation Advocates
General Rate Case sing Historical Test Year	0	-
Fuel and Purchase Power Cost Recovery	+	-
Lost Revenue Adjustment Mechanism	0	0
Special Tariff/Energy Supply Agreements	+	0
Earnings Sharing Mechanism	0	0
Integrated Resource Plan	+	+
Clean Energy Incentive Programs	+	+
Renewable Portfolio Standard	+	+
Regulatory Assets/Regulatory Liabilities	0	0
Time-of-Use Rates	+	+
Overall Assessment	NA	-

Table 6a: Staff Views on Existing Mechanisms in Relation to GHG Reduction

Mechanism	Comments
Special Tariff/Energy Supply Agreements	Green energy and community solar tariffs could potentially help customers procure more renewables.
Integrated Resource Plan	Utility-scale projects are approved in IRP. Preference can be given to renewable energy projects that reduce GHG. Energy efficiency goals are set in IRP.

Table 6b: Conservation Advocates Views on Existing Mechanisms in Relation to GHG Reduction

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	Utility may be reluctant to retire assets that are not fully depreciated (in favor of lower GHG options). Treatment of stranded assets needs further attention.
Fuel and Purchase Power Cost Recovery	Utility indifferent to fuel costs so renewables not valued despite no fuel costs. An issue for attention is utility exposure to fuel cost risk or utility benefit from fuel use reduction.
Lost Revenue Adjustment Mechanism	Fails to address sales losses due to DER other than utility-sponsored EE. Mitigation or elimination of throughput incentive from all DER can reduce GHG.
Special Tariff/Energy Supply Agreements	Does not currently support but potentially could open door to create programs integrating zero GHG DERs. Role of the utility in providing DER to customers / potential for “fixed cost” tariffs needs more attention.
Earnings Sharing Mechanism	To the extent the utility utilizes non-fuel generation to become more cost-effective, ESM will blunt realized earnings. An issue for attention is community consensus for what constitutes overearning.
Integrated Resource Plan	Cost-effective GHG free (or low) resources can be integrated into IRP. The IRP needs to assess all potential resources (existing and new) in a side-by-side comparison to evaluate “early” retirement of existing assets.
Clean Energy Incentive Programs	These programs increase number of DERs for potential utilization. Need to design and define when the market is mature enough to replace programming.
Renewable Portfolio Standard	This mechanism mandates GHG free resources. It is worth exploring the pace of new resource additions and whether incentives could support earlier compliance with state policy.
Energy Supply Plan	Consider potential contribution of GHG-free portfolio. The potential for GHG-free resources from DER warrants attention in the Energy Supply Plan.
Net Energy Metering)	Encourages GHG free DER adoption and utilization. However, the value of DER requires additional examination.
Expanded Solar Access	Increases the number of GHG-free DERs for potential utilization.

Application, Interconnection, Service Connections, Meters, Customer Facilities	These mechanisms have the potential to impact interconnection of GHG-free DER. They should be monitored for efficacy and impact.
Incentives for Critical Facilities	There is potential for utility participation in GHG-free or low-DER at critical facilities such as hospitals. The role of the utility in providing GHG-free or low-GHG DERs to customers needs further attention; there may be potential for “fixed cost” tariffs.
Authority to Implement Decoupling	Decoupling offers an opportunity to mitigate the throughput incentive. Design questions related to weather impacts, economic impacts and other issues will require attention.

Table 7: Two Stakeholders Evaluated Customer Satisfaction

	Staff	BCP
General Rate Case using Historical Test Year	0	+
Fuel and Purchase Power Cost Recovery	0	+
Lost Revenue Adjustment Mechanism	-	+
Special Tariff/Energy Supply Agreements	-/+	+
Earnings Sharing Mechanism	NA	+
Integrated Resource Plan	NA	+
Clean Energy Incentive Programs	NA	+
Renewable Portfolio Standard	NA	+
Regulatory Assets/Regulatory Liabilities	NA	+
Time-of-Use Rates	NA	+
Overall Assessment	NA	NA

Table 7a: Staff Views on Existing Mechanisms in Relation to Customer Satisfaction

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The goal and outcome match to the extent that customer concerns are addressed in a rate case. Such items are usually not the focus of the rate case.

Lost Revenue Adjustment Mechanism	Creates negative customer perceptions. If people conserve, then a new rate is implemented to make up for the conservation. Thus, “the more I save, the more you charge me.”
Special Tariff/Energy Supply Agreements	While special tariff/agreements might promote rate stability for a certain customer or class of customers, it may be at the expense of other customers/classes. The PUCN must also consider whether these agreements are non-discriminatory within and between customer classes.
Earnings Sharing Mechanism	Customers may be satisfied to get a credit for past over-earnings, but may be offset by dissatisfaction regarding the excess profits. While the utility has full control over its costs (and the timing of them), the asymmetry may not be fair to the utility if there is a significant issue beyond its control that impacts earnings or operations.

Table 7b: BCP Views on Existing Mechanisms in Relation to Customer Satisfaction

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The three-year GRC cycle ensures that utility earnings are reviewed periodically. The current cost-based structure ensures that the utility is receiving a fair ROR and that ratepayers are paying cost-based rates.
Fuel and Purchase Power Cost Recovery	The Fuel and Purchase Power Cost Recovery ensures cost recovery of utility fuel and purchase power agreements.
Lost Revenue Adjustment Mechanism	The LRAM reimburses the utility for lost revenue from conservation programs. It is a spending reimbursement program; it is not related to lost revenue.
Special Tariff/Energy Supply Agreements	Special tariffs for net metering, TOU, and EV charging appear to encourage clean energy development. However, many tariffs subsidize the upper middle class at the expense of the lower middle class.
Earnings Sharing Mechanism	The mechanism allows ratepayers to share in overearnings.
Integrated Resource Plan	This process — which the PUCN has relied upon for 30 years — ensures utility cost recovery of large capital projects and allows intervenors to review and comment on plan. The utility is required by law to inform the BCP and PUCN Staff of its plan prior to filing. The utility should allow more public participation prior to filing the plan to ensure the plan meets needs of the state and ratepayers.
Clean Energy Incentive Programs	These programs appear to achieve their targeted goals. Notable issues for attention are: (1) Except for the low-income solar program, these programs subsidize upper middle class at expense of lower middle class. (2) Energy storage programs should be controlled by utility to ensure they are not detrimental to grid. (3) The BCP opposes certain incentives for electric car infrastructure.
Renewable Portfolio Standard	Based on NVE’s recent filings in their IRP, the utility has achieved its goals. BCP opposes duplicative incentives for renewable energy.

Regulatory Assets/Regulatory Liabilities	These mechanisms are already used. Prudence should be exercised before initiating these mechanisms. If not done properly, the utility may bill ratepayer for charges they were not responsible for (e.g., they were not a customer when costs were incurred). If there are several of these mechanisms, it can create confusion when determining utilities revenue requirement.
TOU Rates	TOU rates help incentivize different patterns of electricity use. BCP opposes any mandatory TOU rates.

Table 8: Staff Evaluation of Cost Control

	Staff
General Rate Case using Historical Test Year	0
Fuel and Purchase Power Cost Recovery	0
Lost Revenue Adjustment Mechanism	0
Special Tariff/Energy Supply Agreements	0
Earnings Sharing Mechanism	-/+
Integrated Resource Plan	+
Clean Energy Incentive Programs	0
Renewable Portfolio Standard	0
Regulatory Assets/Regulatory Liabilities	-
Time-of-Use Rates	NA
Overall Assessment	NA

Table 8a: Staff Views on Existing Mechanisms In Relation to Cost Control

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	Cost control trickles down to all rates but can have significant impacts on certain industries (e.g., Rule 9 overheads impact construction/builders). There is very little that Staff can do in a GRC to encourage cost control, other than disallowances. A different mechanism may be useful.
Lost Revenue Adjustment Mechanism	Energy efficiency and conservation promote cost control with respect to a reduction in fuel and purchased power, and postponing capital investment. In the short run the utility does not have an incentive to control costs because it gets paid even though usage declines.

Special Tariff/Energy Supply Agreements	Promotion of special agreements for some customers may come at the expense of other customers, so the goal and the outcome may be mismatched.
Earnings Sharing Mechanism	On the one hand, there is an incentive for the utility to control costs to the extent that they keep some portion above the deadband. On the other hand, they may be able to manipulate expenses such that they do not go above the deadband.
Integrated Resource Plans	The IRP process is intended to determine the least-cost plan to achieve statutory and regulatory objectives, but implementing the plan in a cost-effective manner is resolved in the GRC.
Renewable Portfolio Standard	If a utility is allowed a regulatory asset, then they may be less careful of the costs, knowing that the likelihood of recovery is high. There is generally asymmetry in regulatory assets/liabilities in that the utility rarely asks for regulatory liabilities.

Table 9: Two Stakeholders Evaluated Administrative Costs

	Staff	NV Energy
General Rate Case using Historical Test Year	0	-
Fuel and Purchase Power Cost Recovery	0	NA
Lost Revenue Adjustment Mechanism	0	NA
Special Tariff/Energy Supply Agreements	0	NA
Earnings Sharing Mechanism	0	NA
Integrated Resource Plan	0	NA
Clean Energy Incentive Programs	0	-
Renewable Portfolio Standard	0	NA
Regulatory Assets/Regulatory Liabilities	0	NA
Time-of-Use Rates	0	NA
Overall Assessment	NA	-

Table 9a: Staff Views on Existing Mechanisms In Relation to Administrative Costs

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	The current three-year cycle of GRCs allows for incremental adjustments to rates and promotes rate stability and affordability. A stable and predictable GRC cycle supports regulatory efficiency in a few ways: (1) if Staff knows a GRC test period is beginning, Staff can keep an eye out for expenses that need to be vetted in the upcoming GRC, and (2) Staff uses predictable GRCs to train

	new employees in all divisions. If rate cases are not frequent or predictable, then it is harder to train employees on the issues.
Fuel and Purchase Power Cost Recovery	Quarterly rate adjustments based on historical incurred costs promote efficiency because a forecast of the Base Tariff Energy Rate (BTER) in the annual filing, which can be contentious, is not necessary.
Lost Revenue Adjustment Mechanism	It is unclear to what extent NVE relies on the LRAM to promote conservation and energy efficiency programs. Attention should be given to whether there are statutory requirements needed to authorize something more useful than the LRAM.
Special Tariff/Energy Supply Agreements	Part of the PUCN's duty is to provide for non-discriminatory treatment of utility customers. Special agreements make this finding far more complex and difficult. Additionally, carve-outs for programs do not promote regulatory efficiency. After-the-fact review of special agreements is not administratively efficient for the PUCN. Moreover, they make it more difficult for Staff to ensure fairness across customer classes and may be likened to "single-issue ratemaking". While there is merit in the utility adapting quickly to meet the needs of its customers, distinct special tariffs for customers is not an administratively efficient process to use for that purpose.
Earnings Sharing Mechanisms	The journal entries of the items that go into the ESM accounts must be scrutinized for appropriateness. This adds yet another complex issue in an already compressed 210-day time period for a GRC.
Integrated Resource Plan	IRPs help streamline the review during a GRC so that parties are not arguing whether pursuing a project was prudent. Instead, parties can focus on whether the costs incurred for an approved project were prudent.
Clean Energy Incentive Programs	Carve-outs for programs do not promote regulatory efficiency.
Renewable Portfolio Standard	This is a statutory requirement, and thus must be done. Staff, however, is dissatisfied with the Nevada Tracks Renewable Energy Credits (NVTREC) program, and would prefer using Western Renewable Energy Generation Information System (WREGIS) or some other method of tracking small providers' output. It may be warranted to evaluate the extent to which REC registration and credit issuance for small providers can be streamlined.
Regulatory Assets/Regulatory Liabilities	The PUCN may consider a threshold and whether there is asymmetry in how these are requested/granted.
TOU Rates	Well-designed TOU rates can incent customer behavior, but NVE needs to market and support data analysis on the information gained from existing TOU programs. Additional information on the effectiveness of NVE's current TOU offerings would be beneficial, along with an analysis of where TOU offerings may be improved.

Table 9b: NV Energy Views on Existing Mechanisms In Relation to Administrative Costs

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	GRCs are time- and resource-intensive filings. NVE offers two modifications: (1) extending time between rate cases would allow the utility, intervenors and Staff/PUCN to focus on topical concerns in the regulatory world, and (2) consolidating Nevada Power Company and Sierra Pacific Power Company GRCs would facilitate regulatory efficiency.
Clean Energy Incentive Programs	The annual regulatory filing and process that manages clean energy programs has a significant administrative burden for utility and involved stakeholders.

Table 10: Staff Evaluation of Customer Choice and Engagement

	Staff
General Rate Case using Historical Test Year	0
Fuel and Purchase Power Cost Recovery	0
Lost Revenue Adjustment Mechanism	-
Special Tariff/Energy Supply Agreements	-/+
Earnings Sharing Mechanism	0
Integrated Resource Plan	0
Clean Energy Incentive Programs	0
Renewable Portfolio Standard	0
Regulatory Assets/Regulatory Liabilities	0
Time-of-Use Rates	0
Overall Assessment	NA

Table 10a: Staff Views on Existing Mechanisms in Relation to Customer Choice and Engagement

Mechanism	Comments
Lost Revenue Adjustment Mechanism	Customers are generally unhappy with the explanation of this program.
Special Tariff/Energy Supply Agreements	Customers with special agreements are likely happier and more engaged, but those without special agreements may feel dissatisfied. The PUCN must ensure that rates are non-discriminatory within and between classes.

Clean Energy Incentive Programs	Participating customers are generally pleased with the programs, but non-participating customers, if they experience significantly higher rates, will offset that.
Renewable Portfolio Standard	NVE should analyze and report on the effectiveness of their Green Tariffs on customer satisfaction and experience.
TOU Rates	NVE should analyze and report on the effectiveness of their TOU tariffs on customer satisfaction and experience.

Table 11: Staff Evaluation of Reliability

	Staff
General Rate Case using Historical Test Year	+
Fuel and Purchase Power Cost Recovery	0
Lost Revenue Adjustment Mechanism	0
Special Tariff/Energy Supply Agreements	0
Earnings Sharing Mechanism	0
Integrated Resource Plan	0
Clean Energy Incentive Programs	0
Renewable Portfolio Standard	0
Regulatory Assets/Regulatory Liabilities	0
Time-of-Use Rates	+
Overall Assessment	NA

Table 11a: Staff Views on Existing Mechanisms in Relation to Reliability

Mechanism	Comments
General Rate Case using Historical Test Year (with certification & ECIC)	Providing the funding necessary to maintain reliability enhances customer experience, but at the same time, customers simply always expect the lights to come on.
Integrated Resource Plan	Part of the IRP is load forecasting. There is little public interest/involvement in the IRPs. Metrics such as System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) are not as transparent as they could be. Customers do not appear to engage in reliability issues (outside of major dockets like the Natural Disaster Protection Plan docket).
TOU Rates	Certain rate schedules, such as Interruptible Service-2, are intended to be interrupted for reliability purposes.